THE MAGAZINE OF WALL STREET

and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 74, No. 6 June 24, 1944

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C. G. Wyckoff, President and Treasurer, Laurence Stern, Vice-President and Managing Editor, Eugene J. Foley, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. 50 cents, Canada, 55 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$10.00 a year in advance in the United States and its possessions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

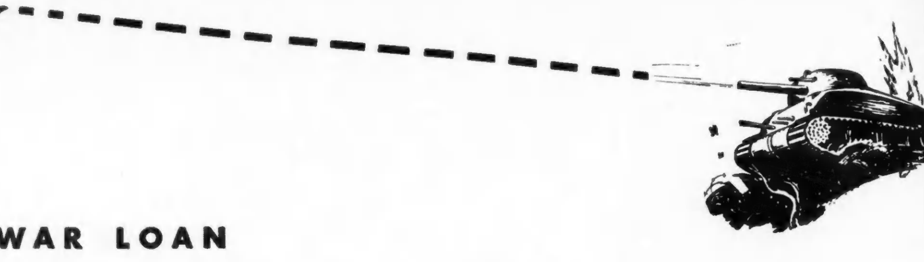
EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, B. C. 4, England.

Cable Address—Tickerpub.

Dividends Declared

	Stock of Record	Payable
Am C P & L A (ac), 75c	July 10	Aug. 1
A C Gilbert pref, q, 87½c	June 20	July 1
Amer Brake Shoe, 25c	June 22	June 30
Amer Brake Shoe, 15c	June 22	June 30
Bank of Amer NT&SA $2 pf, s-a, $1	June 15	June 30
Bank of Amer NT&SA, s-a, $1.20	June 15	June 30
Cent Aguirre, 37½c	June 30	July 15
Cons Vultee, 50c	Aug. 4	Aug. 15
Cons Vultee pf, q, 31¼c	Aug. 18	Sept. 1
Electric Auto-Lite, 50c	June 23	July 1
Ins Co of N A, s-a, $1.25	June 30	July 15
Kaufman Dept Strs, 25c	July 10	July 28
Lion Oil, q, 25c	June 30	July 15
Minn P & L 7 pf, q, $1.75	June 15	July 1
Sel Ind pr pf, q, $1.37½	June 20	July 1
Sel Ind pf AC, q, $1.37½	June 20	July 1
Shawimgan W & P, q, 23c	July 21	Aug. 25
Western Elec, 50c	June 23	June 30

*Payable in Canadian funds.

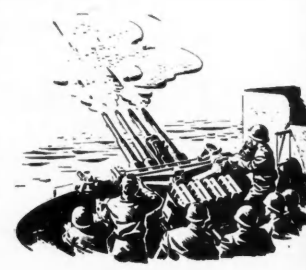


The Vth WAR LOAN DRIVE . . . —

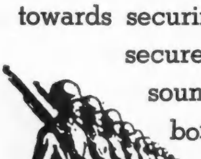
has got off to a flying start. The goal is the highest yet—$16 billion, and individuals are called upon to subscribe at least $6 billion or 37½% of the total. This is the largest quota sought from this group since the Government started to direct its war loan drives at war-swollen personal savings and earnings. There is every reason why the goal for individual subscriptions should be reached this time.

The public has the means to respond. Currency in circulation outside of banks is near the record total of $19 billion and demand deposits of individuals exceed $18 billion. The former is rising at the annual rate of nearly $5 billion, the latter are mounting at the rate of about $3.5 billion. Together, the mere rates of increase of the liquid resources of the public far more than cover the amount sought from individuals.

In meeting this quota, the public will also serve its own interest. It will not only invest in the world's safest security but it will do much towards securing its future, which cannot be secure without a sound economy, a sound financial system. Buying war bonds means just that. It is not only an effective way to back the attack, it is by far the best way of fighting against inflation, of building up reserve against the day when they may be needed.

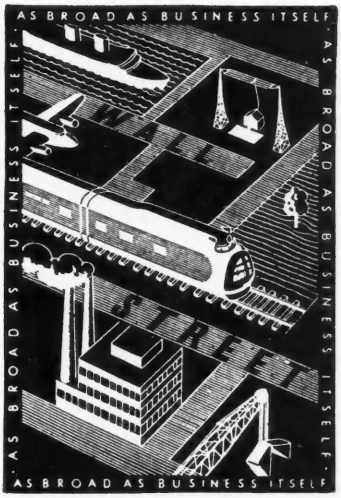


These are sound and practical reasons wh we should go all out in lending our money t the Government. But at this particular mo ment, we shall want to do more than merel serve our practical interest. Invasion ha brought the war nearer to each of us, ha made the war far more personal than ever before. The Fifth War Loan Drive gives us an opportunity to team up with our forces on the beachheads of France, on the dusty mountain sides o Italy, on the islands of the South Pacific. Th bonds we bought in the past are now in actio on every front of this global war. We must bu more to complete what we have begun. W must continue to forge the weapons of victor and this will cost money and more money. Wit crucial battles being fought all over the glob and with victory everywhere in our grasp we dare not lag in our duty. Let's dig dee into our pockets to make the Fifth War Loan the success it deserves to be.



THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher* LAURENCE STERN, *Managing Editor*



The Trend of Events

"HURRY, HURRY, HURRY" . . . It was four months ago hat the Baruch-Hancock report—offering a comprehen-ive program of preparation for "unwinding the war conomy"—was submitted to the Administration and Congress. The most important problems and proposals dealt with required legislation. But practically nothing was done by Congress.

Instead of action, with these recommendations offering a practical basis on which to start the processes of legisla-tive consideration, the Congressional committees chose to roll their own in the usual leisurely fashion, belatedly duplicating much of the exploratory work that had al-ready been expertly done.

Thus, the Senate's Special Committee on Post-War Economic Policy and Planning offered its own 16-point program within the past fortnight. We have no fault to find with it. On the whole, it is very sensible. But it is no improvement on the Baruch-Hancock report, no bet-ter starting basis for Congressional action—and time, which may be fast running out—was needlessly spent in formulating it. Meanwhile, a special House committee is making its own preliminary explorations—still hearing witnesses.

Increasingly concerned by the delay, in a letter written in mid-May before the invasion but just now made public by the Senate Military Affairs Committee, Mr. Baruch warned insistently that we must "hurry, hurry, hurry not only in winning the war but in being ready for the peace." If the transition is to be handled without un-necessary unemployment and chaotic confusion "the Government must be ready for the swiftest action, regardless of when the 'X-Day' of Germany's defeat falls. The machinery should be set up and tested; the policies and programs developed in advance."

Last week Mr. Byrnes, chief of the Office of War Mobilization, even more emphatically urged action, telling Congress it should take no recess before passing a bill covering termination of war contracts; and that it should at once commence work on other problems of transition, including post-war tax revision to encourage risk-taking by capital.

Congress has complained of "too much White House government." Well, here it not only has an opportunity to write its own ticket on some of the most urgent problems of government and economics that ever confronted this nation—but is being urged to do so. Is it pressure of time with more important matters that prevents action? Hardly. It had plenty of time to waste on politically-dominated and quite mischievous amendments to the Price Stabilization Law. And apparently there is so much time that the gentlemen can recess for the political conventions and increasingly concern themselves with their own individual electioneering plans.

The President appears largely pre-occupied with the war and with global planning, apparently satisfied to leave to Congress, Byrnes, and WPB the decisions and policies for domestic readjustment. Yet the success of most of our ventures in behalf of an enduring peace and a better world must certainly depend largely on whether or not post-war America is industrially active, fully employed, economically strong.

Suppose peace in Europe should come next month.

Where would we be? Answer: in a choatic mess. If we are in a mess when it *does* come, the fault will lie mainly with Congress. But the fault will also be ours, as voting citizens, if we put up, without protest, with continuing inertia and politics-as-usual in Congress. Congress listens when the voters speak. Your Senator and Representative will get busy if you—and enough others like you—write and demand it. Without prodding by public opinion, there is very considerable risk that on this matter the story to be written by Congress will again be one of too little, too late.

PRICES AND RECONVERSION . . . The closer we get to peace the more numerous and formidable loom the problems confronting us. One of them, which has had little attention, is the question of the prices that reconverted manufacturing enterprises will be permitted to charge for goods.

Those in war work now have an established set of price-cost relationships. In returning to production of their former peace-time products, unit costs certainly can not be the same as existed when the former production stopped. There has been a major rise in hourly wage rates since then, also a substantial increase in prices of many raw materials. Because of war-time shifts in personnel, it will not be possible for plant forces simply to resume former tasks familiar to the individual workers. On the contrary, in important degree, new working forces will have to be trained for the specialized tasks of civilian production. Thus, in many respects, reconversion is a matter of starting all over again rather than of resuming where peace-time production left off.

For most, perhaps all, of the transition period, business men will have to contend with the chief Federal controls they are working under today. They can not do business as usual, nor can supply-demand factors be permitted to determine prices in the period during which demand for various types of civilian goods may so greatly exceed supply as to present a continuing threat of inflation. Therefore, OPA will continue to function—or we must have something like it, whatever the name, and regardless of whether the Republicans take over Washington next November. It follows, then, that OPA price policies will vitally affect the ability of industry to convert promptly to normal production. No manufacturer can plan the production of any civilian item without having reasonable assurance as to both its production cost and its selling price.

So far the only hint of OPA policy is a statement that retailers must price new goods "just as tightly" as the goods they have been selling during the past two years and that there can be no relaxation until "inflationary pressures begin gradually to subside." But one way to fight inflation is to increase the supply of goods as quickly as possible. It seems obvious that both reconversion and expansion of civilian goods supply will be impeded unless a reasonably liberal price policy is adopted. The more specific and detailed questions that will have to be answered in the solution of this problem would make a list nearly as long as one's arm. There is no evidence that such answers are under preparation by OPA or any other agency.

THE INSURANCE DECISION . . . Four Supreme Court Justices think the insurance business is interstate commerce properly subject to Federal regulation. Three disagree. Since the other two chose to refrain from participation in the case at immediate issue, the net result is that four Justices out of nine have overturned the legal precedent on which insurance contracts had been written for seventy-five years and on which the whole structure of state regulation of insurance companies had been built.

To have hidebound respect for mere legal precedent is one thing. It is something else again for four men—through judicial interpretation—needlessly to throw a great industry into legal turmoil. However, there is nothing that we or other laymen can say on this decision that has not already been said better and more forcefully by the dissenting Justices.

Said Chief Justice Stone, in part:

"Its [the Supreme Court's] action in now overturning the precedents of seventy-five years governing a business of such volume and such wide ramifications cannot fail to be the occasion for loosing a flood of litigation and of legislation, State and national, in order to establish a new boundary between State and national power, raising questions that cannot be answered for years to come, during which a great business and the regulatory officers of every State must be harassed by all the doubts and difficulties inseparable from a realignment of the distribution of power in our Federal system. These considerations might well stay a reversal of established doctrine which promises so little advantage and so much of harm. For me these considerations are controlling."

Justice Jackson, a liberal and former New Deal Attorney General, was even more severe in his criticism of the majority decision—saying, in part, as follows:

"The States began nearly a century ago to regulate insurance, and State regulation, while no doubt of uneven quality, today is a successful-going concern. Several of the States, where the greatest volume of business is transacted, have rigorous and enlightened legislation with enforcement and supervision in the hands of experienced and competent officials. . . .

"The court's decision at least will require an extensive overhauling of State legislation relating to taxation and supervision. The whole legal basis will have to be reconsidered. What will be irretrievably lost and what may be salvaged no one now can say and it will take a generation of litigation to determine. Certainly the States lose very important controls and very considerable revenues.

"The recklessness of such a course is emphasized when we consider that Congress has not one line of legislation deliberately designed to take over Federal responsibility for this important and complicated enterprise. . . . A poorer time to thrust upon Congress the necessity for framing a plan for nationalization of insurance control would be hard to find.

"The orderly way to nationalize insurance supervision, if it be desirable, is not by court decision but through legislation."

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 278. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, June 19, 1944.

As I See It!

MAN ON HORSEBACK

BY CHARLES BENEDICT AND ROBERT GUISE

FOR many years the French people have feared the coming of another "Man on Horseback" whose lust for personal power would bring ruin to France. Is Charles de Gaulle that man?

Out of the great mass of opinion regarding de Gaulle, two things stand out clearly: (1) That de Gaulle is ominously seeking great personal power in France before that country has regained its independent status and is in a position freely to declare its will regarding the kind of Government it wants; and (2) That he is dangerously irresponsible in regard to keeping agreements with those who have supported him and France in the direst hour, and that the French therefore have every reason for concern regarding his real intentions as to the type of Government he means to set up in France after the war.

With the opening of the invasion, the de Gaulle controversy and its increasingly ominous connotation have become deeply disturbing. One may judge how serious this is by the fact that the French leader, despite an understanding with the United States and Britain on the civil administration of liberated France, has appointed his own Commissioner of Civil Affairs in Normandy, acting entirely independent of the establishment set up by the Allied military authorities on the Beachhead. This in the face of the fact that it is Allied blood and treasure that paved the way for de Gaulle's entry into France. Why, in view of this uncooperative and hostile attitude, should we recognize de Gaulle? Why should we shackle the hands of General Eisenhower at a time when he needs every freedom of action? Isn't it a better idea to let our military leaders — those who head the Armies of Liberation—take over the administration of freed areas until the liberation of France is completed?

International News Photo

Gen. de Gaulle—shown here receiving troops in Tunisia—is a brave soldier but an obstinate politician for the Allies to deal with

As it is, the entire situation seems rapidly to be getting out of hand in a way that must cause the greatest anxiety to our Government. While British and American soldiers are being killed in Normandy, de Gaulle has been pre-occupied with one thing only: the status of his administration. He has gone so far as to withhold active cooperation in the invasion effort. Are we, then, to make sacrifices on French soil merely to put a politician into office? Have we not the right to expect that whatever de Gaulle's grievances, he will not interfere with invasion problems and will do nothing to create distrust of allied intentions among the French people? If he loves France rather than himself, de Gualle can and should submerge his own immediate ambitions to the larger interest of his country, if he is sincere. His failure to do so would be proof positive of the extreme egotism of which he is so frequently being accused.

For months, left wing sympathizers and supporters of de Gaulle and his movement have constantly pointed the finger of accusation at President Roosevelt, censoring him for his alleged dislike of de Gaulle and his reluctance to deal with him on purely personal grounds. This, they say, is the main reason behind our policy of non-recognition. They are making a concerted attack.

Well, President Roosevelt may be prejudiced, and if so, certainly not without justification. De Gaulle's betrayal of his agreement with Giraud, the inclusion of communists in his cabinet, his demonstrated lack of loyalty to the Allies, his policy of petty obstructionism towards the Allied High Command, all this has done nothing to raise confidence in the French leader. Instead, it has deepened the shadow of suspicion as to his aims and motives, and caused deep resentment at a crucial time. This comes with poor grace from a man who up to the time of our invasion of Africa was living on the bounty and support of other nations and who, if the Allied Armies had not defeated the Germans in North Africa, would even now be a refugee from France with a price on his head.

Despite the unpleasant personal reactions in dealing with a man who has behaved *(please turn to page 324)*

Weighing Invasion Market Trends

The technical "signals" are bullish but there are reservations that must not be ignored in prudent investment policy, as analyzed below.

BY A. T. MILLER

The war has been won and the post-war business boom is already under way—in the stock market.

In other words, the successful Allied invasion of France and the implications thereof have been interpreted as very bullish by a majority of the persons who have made market decisions since the news broke.

It looks like a psychological market boomlet. It is firing the imagination—and whetting the hunger for profits—of a great many people who have surplus cash and whose previous uncertainty had kept the broad average stymied for more than ten months.

On sharply increased trading volume, the Dow industrial average within the past few days finally pushed through the previous major high (145.82) that had been established in July of last year. As we write, it has bettered that long-familiar technical landmark by about 1½ points. The rail average has also gone into new high ground.

Numerous people decide which way the market wind is blowing in terms of the "signals" provided by these two averages under Dow Theory or various other similarly mechanistic rules of thumb. Since both averages, following an unusually protracted period of indetermination, have made new highs—with the volume attributes of a "power move"—the interpretation can only be that the bull market has been reaffirmed; and that both major and intermediate trends are *now* upward.

We italicize that word "now" in the preceding paragraph to emphasize that the technical approach to the market can not do more than determine the direction of the wind at a given time—even this often being far from fool-proof—and that no one can foresee on technical grounds whether the projection of a current trend will prove to be long or relatively brief. In war markets especially—since they are not geared to normal "business cycle" considerations and are thus dominated by crowd psychology in unique degree—the risks of being "double crossed" by trend signals are necessarily greater than in peace-time markets, wherein expectations—whether or not exaggerated—are mostly geared to projections of an existing trend of business volume and profits.

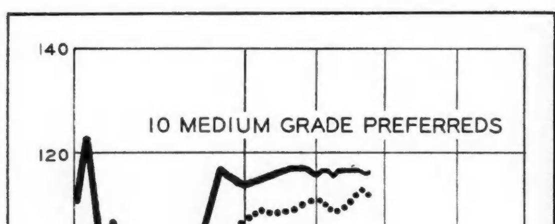
Subject to this reservation, the logical assumption appears to be that the market's recent action will of itself enlarge the bull following in some degree and bring in some short-covering—the short position being fairly sizable.

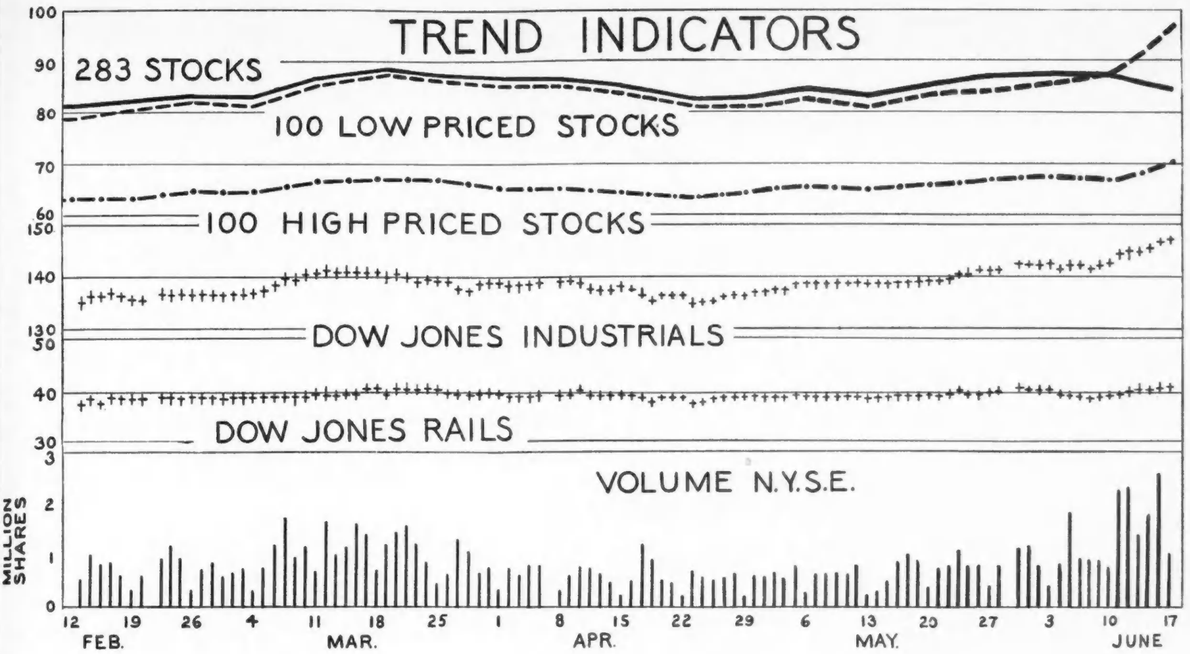
Our own price indexes, with a broader coverage than the Dow averages, show a suddenly galvanized speculative leadership more spectacular than in several years—reminiscent of the boomlet which, for a few fallacious weeks, followed the outbreak of war in Europe when we (according to mistaken popular notions) were going to stay neutral and sell a lot of munitions to England and France.

We expressed the view in earlier analyses that it would take broad speculative demand—rather than mere continuation of the then selective and limited investment demand—to put the market importantly higher; and that whether this would develop was a psychological matter, depending upon the crowd reaction to events.

We emphasize the intangible, psychological aspects of this market because they have long completely overshadowed—and often been contrary to—the visible facts. Thus, stocks went down greatly from the spring of 1940 to the spring of 1942 while the trend of business was strongly up and corporate profits were reaching remarkably high levels. Today the market is making new recovery highs when industrial production has definitely passed its peak, when the trend of corporate earnings on the average has turned downward and when it is patent that the defeat of Germany—which we are speculatively celebrating while the armies still have to win it—will be followed by an indefinite, but necessarily extensive, period during which we will experience a serious deflation of production, employment and national income.

In this setting our weekly index of 283 stocks advanced





6.9 points since our last previous analysis was written, most of it last week; the index of 100 high-price stocks gained 2.93 points; and—speaking of revived speculative demand—our index of 100 low-price stocks spurted 10.77 points to levels not seen since 1937.

With volume some three times the average of the past six months, it is plain that the recent tempo of advance can not be expected to last, for otherwise there would be early and serious impairment of the underlying technical condition. There are two alternatives to be considered: (1) the entire post-invasion boomlet may have a very brief duration both in time and in average points of net advance; or (2) periods of small reaction and/or pause may provide technical consolidation, permitting the averages to work substantially higher during the summer.

We would have greater confidence in the second possibility if the recent power-advance had developed from a low-level, over-sold position. Not having developed out of an over-sold condition and being superimposed on a medium-high recovery level—more than medium-high in many of the more popular stocks—we would figure its maximum scope in terms of "fair."

To get an active and rising summer market would seem to require a strong psychological inclination not to cross the reconversion-deflation bridge marketwise until we get to it—or at least nearer to it and at a higher price level—together with a continuing willingness both to celebrate the coming victory in Europe and to discount more and more the widely expected post-war boom, especially in consumer goods.

That boom may or may not develop as soon—or yield corporate profits as high—as the optimists hope. Therefore, a rising market mainly predicated on it would seem to reverse an old adage: turning it around to hold that two birds in the bush are worth more than one in hand. The nice thing about this psychology is its simplicity. Under it, one can dream and speculate and conjecture—untroubled by facts, which often are not so simple, since the facts of the post-war boom remain to be born.

There are other psychological elements: (1) bullish conjecture, which can not be factually disproven this far ahead, that that man Roosevelt will be defeated in November and that the Republicans will promise to lead the country into the promised land; and (2) the precedent in most years, especially election years, of stock prices attaining July or August levels materially higher than in June. (This has worked out best when there had been a fairly deep spring reaction, which was not the case this year; and it did not work at all well last year.)

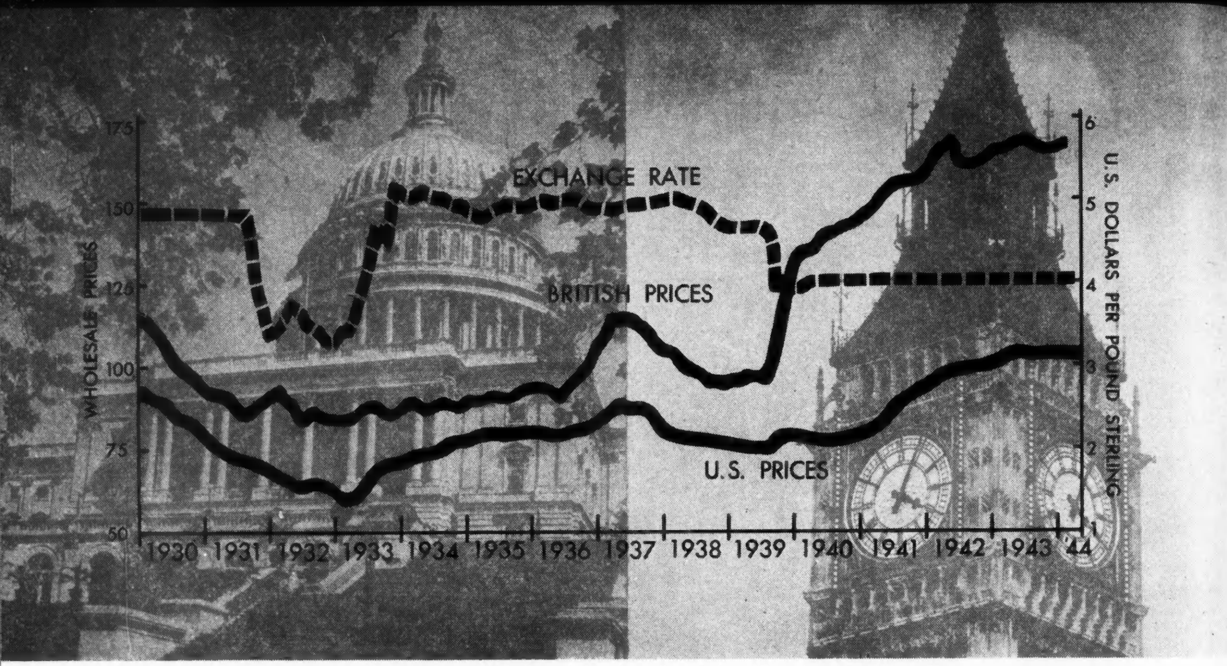
We have previously expressed deep skepticism that a bull market—the present bull market that started in the spring of 1942—could run through the war, through the reconversion-deflation period and then on indefinitely into the post-transition "catching-up" boom. We are still just as skeptical of that uninterrupted vista; but we have to alter the time patterns we had been allowing for.

Since the market has declined to do the apparently logical thing at the apparently logical time—an old habit of deceit—it now appears possible, if not probable, that stock prices—especially of over-bulled peace stocks—will bow to the impact of post-Hitler economic deflation somewhat later and from a higher level than we had been allowing for in these articles.

We therefore fear that a really "good" summer advance would leave the market in a starkly exposed position, vulnerable to deep reaction at best and possibly to a bear movement. Meanwhile most of the stocks most prized for post-war boom potentials are so high that, whatever their further trading possibilities, they look more like investment sales on further strength than wise buys. To cite a few groups, auto accessories and tires are well above 1937 bull peaks, automobile shares but 10 per cent below it. For that matter, not since October, 1936—a fairly late phase of a great bull movement—did a rising market see our composite index of 283 stocks as high as right now.

To sum up: we advise investors against throwing caution to the winds; against rushing to jump on what looks today like a band-wagon but may not look at all like it a few months hence—or even possibly next week, for that matter.

—Monday, June 19



Stabilizing Our Post-war Dollar in Relation to Foreign Currencies

BY V. L. HOROTH

As this issue goes into the mails, the representatives of some 34 United and Associated Nations will be on their way to Bretton Woods, N. H., to attend a Monetary and Financial Conference, convoked there by President Roosevelt for July 1. First on the agenda will be the discussion of the principles of an International Monetary Fund, worked out jointly by the technical experts of the United Nations and made public early in April. A plan for the organization of an International Bank for Reconstruction and Development may also come up for debate.

It seems that the Bretton Woods Conference will be just another step in advancing the post-war currency stabilization plans. This time a wider public is to be introduced to the "joint" proposal, prior to its submission to the legislative bodies of the interested countries for ratification. Thus far no commitments have been made by any Government.

Anyone who is under the impression that the Conference will attempt to solve such vital problems for the American businessman as the fixing of the dollar-pound sterling exchange rate, is either expecting too much or is under a misapprehension as to the purposes of the International Monetary Fund scheme. What will be discussed is the mechanism by which the currencies could be tied to each other some three years after the war and then eventually stabilized. Since during this three-year period the countries will be able to do much as they please, there is a possibility that we may be faced with developments that may necessitate an entirely different approach to currency stabilization. Or, it is also possible that in this period many monetary problems which will be under discussion in Bretton Woods may simply solve themselves, in which case there may be no need for any currency stabilization mechanism at all.

By tying world currencies to each other at a more or less fixed rate, the proposed scheme aims at the prevention of such malpractices as *using currency manipulation as an instrument of commercial policy,* thereby preparing the way for a really genuine revival of international trade and for the resumption of international capital investment. But if the proposed scheme is to be effective and not to collapse within a few years, it is also necessary that a reasonable degree of international political and economic tranquillity be established throughout the world. Currency fluctuation is but an expression of the state of health of the world economy. As long as flights of capital continue, or any other violent shifts in world economy, no country can adhere to any stabilization proposal no matter how flexible it may be.

For international economy to be healthy, it is necessary, in the first place, that a reasonable stability be established in internal economies of individual countries. Secondly, it is necessary that in order to achieve a greater stability in international accounts, all countries pursue the same broad economic principles and that they apply approximately the same controlling measures to their economies. But all this can be achieved only gradually and only by extending international collaboration into other spheres, such as trade and investment. Unless that takes place, any currency stabilization scheme is likely to prove utopian.

As the plan for an International Monetary Fund emerged from the hands of financial technicians, it represents in general a great improvement over earlier cur-

rency stabilization plans. It distinguishes between the needs of the transition period, when the principal problems will be rehabilitation and relief, and the conditions during a later period, when some order will have already been re-established. Secondly, it attempts to do much less than its forerunners. In this respect the comparison with the Keynes scheme is especially striking. As will be remembered, Keynes proposed a fund of some $25 billions, which, by regulating the volume of credit on an international scale, was to prevent booms and depressions. The International Monetary Fund, as proposed now, would not only be shorn of any such power, but its resources would be only $8 billions, of which but about $4 to $5 billions could be actually lent in the course of its operations.

The joint proposal's most striking contrast to the original American plan of Dr. Harry White, which would have operated in much the same way as the gold standard would have, lies in the great flexibility in respect to the fixing of exchange rates. In the White Plan the exchange fixing power was vested in a governing board, the consent of 80 per cent of the member votes being required for an adjustment to be carried out. The American Plan also levied a penalty of 1 per cent per year on the amounts borrowed in excess of the quota, the purpose being to force the countries to carry out measures which would bring their international accounts into a better balance.

In the new proposal the management of the Fund has hardly any power to enforce policies which would aim at a greater internal stability of a member country. Moreover, it actually hands the power to make currency adjustments over to the countries themselves. This is how it is accomplished: To begin with, a country is allowed a unilateral adjustment in exchange rates up to 10 per cent, after which if it can prove that an adjustment is "essential to correct a fundamental equilibrium," or to quote the principles of the Fund, "necessary to restore equilibrium because of the domestic and political policies," the management of the Fund *is required to approve any requested change.*

How flexible the interpretation of this particular provision of the proposed plan could become, is illustrated in Lord Keynes' speech before the House of Lords on May 23. According to his interpretation, there really wouldn't be much stabilization at all, as it is obvious from the following quotation in full:

"For instead of maintaining the principle that the internal value of national currency should conform to a prescribed de jure external value, (the Fund) provides that external value (of a currency) should be altered if necessary so as to conform to whatever *the facto* internal value results from domestic policies, which themselves shall be *immune from criticism by the Fund*... Indeed it is *made a duty* of the Fund to *approve changes* which will have this effect. That is why *I say* that *these proposals are the exact opposite of the gold standard.* They lay down by international agreement the essence of the new doctrine, far removed from the old orthodoxy."

The adoption of these principles was unquestionably intended by the framers of the new proposal to allay the fears of the British that a "gold standard straightjacket" might be forced upon them, especially as the working-out of their involved post-war problems, so dependent upon the expansion of international trade, may take considerably longer than three years. In this country, where we are genuinely desirous of stabilizing currencies on the basis of gold, this great flexibility as regards the exchange adjustments has been, if anything, underplayed, with the obvious desire to make the proposed plan look as nearly as possible like the gold standard, in order to make the idea palatable to the public.

Certainly a good deal about the plan will have to be amplified and clarified. Action in that respect is likely to be recommeneded at the Atlantic City meeting of the American Delegation to the Conference on June 15 and at the Bretton Woods Monetary Conference itself. Just now it looks as if at the appearance of almost any kind of deflationary pressure—a decline in employment or in the price level—the British, or for that matter any other member country, would invoke the right to devalue the pound sterling or another currency. The repercussions that such an action would have on other currencies would be bound to create the chaos that the plan is supposed to prevent.

What then emerges from the "joint" proposal is a sort of "supernational stabilization fund," to borrow a phrase from the *London Statist*, which would use its resources

TABLE 1
MOVEMENT OF WHOLESALE PRICES AND EXCHANGE RATES DURING THE FIRST AND SECOND WORLD WAR.

	First World War				Second World War			
	Wholesale Prices		Exchange Rates		Wholesale Prices		Exchange Rates	
	1913	1919 (Aver.)	1913	1919 (Aver.)	1939	1943 (Dec.)	1939	1943(c)
United States	100	206	100	100	100	135	100	100
United Kingdom (Statist)	100	242	100	91	100	172	100	86
Canada	100	209	100	96	100	140	100	91
Australia	100	189	100	91	100	138	100	86
South Africa	100	165	100	91	100	155	100	86
Germany	100	1,965	100	28	100	109	100	100
Denmark	100	340	100	87	100	195	100	92
Sweden	100	325	100	96	100	179	100	98
Norway	100	322	100	92	100	180	100	96
Netherlands	100	304	100	97	—	—	100	100
India	100	196	100	91	100	305	100	86
Iraq	—	—	100	29	100	692	100	86
Egypt	100	231	100	91	100	291	100	86
Turkey	—	—	100	29	100	601	100	100
Iran	—	—	100	187(b)	100	505	100	86
Argentina	—	—	100	102	100	198	100	95
Chile	—	—	100	114	100	200	100	100
Mexico	—	—	100(a)	100	100	158	100	102
Peru	100	220	100	103	100	209	100	82
Venezuela	—	—	100	107	100	121	100	96
Japan	100	236	100	103	100	147	100	86

(a) 1912=100
(b) Persian currency was then based on silver.
(c) Official rates of exchange used.

COST OF LIVING: PERCENTAGE INCREASES
PERIOD: JAN.-JUNE 1939—DEC. 1942

Percent Increases	Food	Heating and Lighting	Clothing	Rent	Others	Total
Bulgaria	+135	+50	+112	+35	+42	+101
Denmark	+57	+112	+84	+7	+47	+56
Finland	+89	+123	+127	+12	+81	+81
Germany	+6	—2	+32	—	•+6	+8
Hungary	+73	+31	+78	—	—	+52
Sweden	+42	+67	+72	+2	+41	+42
Switzerland	+61	+33	+87	—	—	+46
United Kingdom	+21	+33	+82	+2	+53	+30
United States	+41	+8	+25	+4	+12	+22

Source: 13th Annual Report of the Bank for International Sett lements.

to prevent temporary maladjustments of international payments of the member countries, but would otherwise have very little to say as to how the maladjustments ought to be corrected. Its operation would resemble that of the Tripartite Agreement concluded in 1936 between the United States, Great Britain and France, which too did not rule out exchange adjustments, provided the three countries consulted each other beforehand, and provided the adjustments were made in good faith, "without attempt to obtain unreasonable exchange advantages." But whereas at that time no lending of funds was involved, this time, with not much greater proof of good faith on the part of the members of the Fund, actual extension of credit is to take place. For the United States it would mean the lending of about $2¾ billions, assuming—as will very likely be the case—that the entire demand for foreign exchange in the post-war period will be principally for dollars. In addition we would have to pay, of course, about $600 billions in gold as our member quota in the Fund.

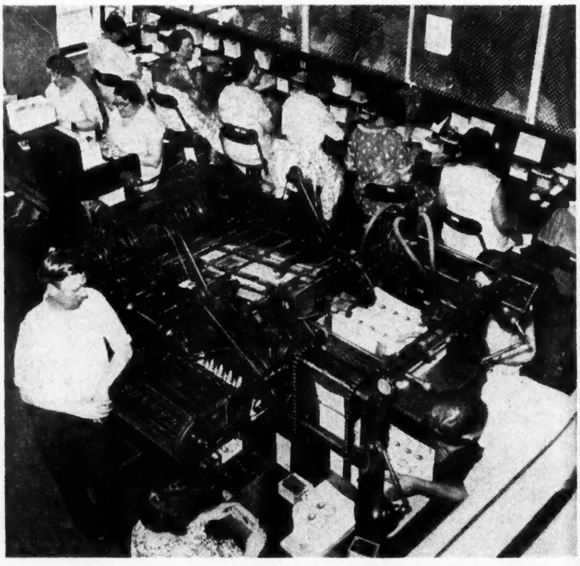
Since the Fund is likely to extend principally dollar credits, there is naturally concern in this country about the extent of the credit that may eventually be outstanding and about the provisions in regard to their use and the liquidation. It is felt that the countries, like individuals, will prefer to borrow rather than to carry out the essential economic measures which would bring their international accounts into a better balance. And the postponement of such measures would invite trouble. "The purpose of stabilization efforts should be to make the participating countries more self-reliant," contends Mr. J. H. Riddle of the Bankers Trust Company. "To grant credits to a country simply because it has an unfavorable balance of payments would be somewhat like making loans to a corporation because it operates in the 'red'."

It is pointed out that between the relief and the rehabilitation loans during the immediate transition period, the holdings of gold (some $13 billions now outside of the United States) and the dollar credits in the United States (between $5 and $6 billions) there will be enough dollar or gold resources held outside of the United States to make the necessary purchases in this country and at the same time to balance the international accounts. Hence, it is being urged that either the Monetary Fund should be smaller or that, for the sake of the Fund's own liquidity, borrowing should be made more difficult and in general, that more stress should be put on the establishment of internal political and economic stability within the individual member countries.

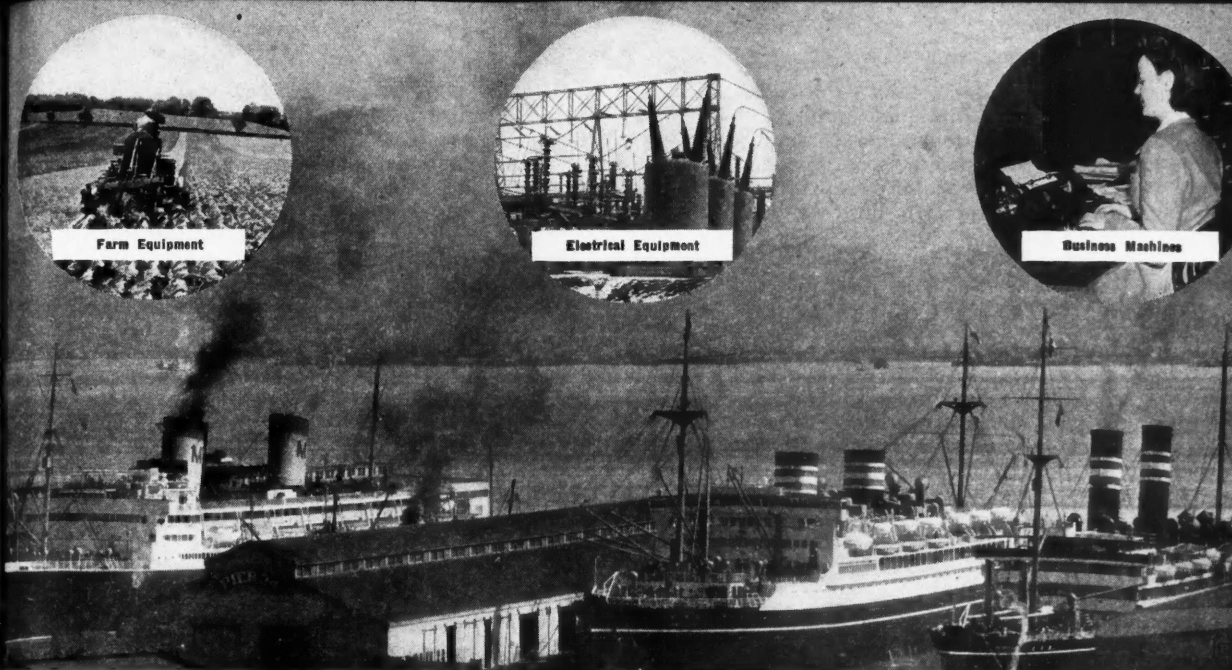
These views coincide with the recommendations advanced by the exponents of the so-called "key country" currency stabilization. It is held that the most practical approach is for "the key countries," the United States and Great Britain, to establish a degree of stability in their internal affairs and in their international accounts. Then, with their "houses" more or less in order, they should work out a plan for the stabilizing of the dollar-pound sterling rate on gold basis. To fix a rate that would be tenable without exchange controls for some time would be, of course, extremely difficult, in view of all the changes that have taken place in the international payment structure of the two countries and in view of the uneven increases in their price levels.

However, once such a stabilization was achieved, it would mean, for all practical purposes, stable exchange rates within the sterling and dollar areas, which together account for some 60 per cent of world trade. The other countries after putting their own houses into order—a process which could vary, depending upon the maladjustments involved—would then be encouraged to join, and obtain the benefits of multilateral trade and perhaps even of some tariff reductions.

"The key country" stabilization, however, has its own shortcomings. It will take more than three years for Great Britain to repay the large blocked sterling balances now approaching some $8 billions. To ease the strain on the British international balance of payments resulting from the repayment of these balances, it may be necessary that we extend credit to Great Britain up to several billion dollars. Secondly, the "outside countries" may not be at all anxious to enter into stabilization agreements with "the key countries," especially if there shouldn't be any trade facilitating inducements attached. They could not only postpone the stabilization of their currencies indefinitely, but stabilize deliberately at too low a level—to get trade advantages. We would then have much the same situation (*Please turn to page* 321)



Bureau of Engraving, one of Washington's busiest places where millions of dollars of new currency is printed to supply the nation's money needs.



Which Industries Are Best Geared To Compete For Export Markets?

BY E. A. KRAUSS

WHEN this global war is over, our country will find itself in a unique economic position. By virtue of our economic strength and great productive capacity, unseared by the destructive breath of war, it will fall to us to take the lead in world reconstruction. This implies widespread relief activity in war-ravaged countries, heavy merchandise and raw materials exports and finally large capital exports. The triple purpose: to meet urgent and immediate needs of liberated populations, to give their industries a start, thereby enabling them to help themselves, and finally to lay the foundation of sound post-war trade.

But this will not be enough. If our aid is to be of lasting and mutual benefit, we shall have to come to grips with the problem of opening our domestic market to imports and negotiating equitable trade arrangements with our principal competitors lest we create a top-heavy world economic structure which not only would hamper reconstruction but sooner or later would crumble of its own weight.

Even at best the task will be formidable and complex, what with growing world-wide industrialization, the immense technological progress of recent years and war's unsettling impact on the various economic regions of the world. All these developments tend to oppose the trend towards an integrated world economy and thus complicate rather than facilitate the process of world reconstruction. Yet they are realities and must be coped with, and coped with effectively, for the alternatives are wholly unpalatable to our way of thinking. They are either a "free for all" for world markets under complete disregard of world economic cooperation which eventually must lead to severe unsettlement and new conflict, or else economic isolation which would not only be contrary to our political interests but to the welfare of our tional resources and the stupendous technological ad- the seeds of dissent and future conflict, and pose serious internal problems.

Technically, economic autarchy, thanks to our national resources and the stupendous technological advances of past years, is a potentiality that could be realized but such a course has always been at variance with our traditional concepts of trade. Hence it is more than doubtful whether we would ever be willing to steer such a radically different course. It is open to question whether it would be feasible or practical. Nor is it likely that the world could recover without our help. For better or worse, we shall probably have to fill the place of a leading world power which we, and perhaps destiny, has created for us and shoulder the responsibilities that go with it, in the financial and commercial sphere no less than in the world political arena.

There are strong indications that we are already committed to a policy of world economic cooperation if the Moscow and Teheran declarations are to be carried out. The task of their implementation remains and it is hardly possible that this can be done before the end of the war, at least the European phase. Preliminary discussions clearly revealed the difficulties in arriving at workable formulae, in bridging the numerous gaps created by conflicting views and interests. Unless we decide to "live alone in the world," we may and probably will have to make certain sacrifices in our own national interest. It will require our entering wide economic commitments in many directions, especially with the British Empire. It may mean a revision of our attitude towards

tariffs and cartels. It may mean that we shall have to reorganize part of our productive process so as to bring about a new international division of labor. It will mean that we shall have to reconcile our differences in the fields of monetary stabilization, international shipping and world aviation. In short, we shall have to live up to our role as the world's leading creditor nation. There is no blinking the fact that unless we do that, and manage to reconcile the major points of conflict, the post-war world will be very different from that for which we think we are fighting.

Official recognition of this dilemma was reflected in Secretary of State Hull's recent warning that U. S. industries should concentrate production on goods requiring minimum tariff protection. The contrasting viewpoint is emphasized by many industrial quarters which, fearing the worst, protest that the present trend of our trade policies will eventually subject us to a flood of low-cost imports that might destroy the home market for many domestic manufacturers.


Machine tools will be in heavy demand to rehabilitate and modernize industries abroad

The truth, of course, lies on both sides. We all know that many of our industries could not survive a substantial lowering of our tariffs. But it must also be recognized that we cannot sell abroad unless we are willing to buy. Thus it appears in our interest to examine the possibility of lowering tariffs, to decide what sacrifices must be exacted from certain business groups for the sake of our national economy as a whole. The future of world peace may well depend thereon. So will our own and the world's prosperity in the years to come.

However, such sacrifices need by no means be one-sided. The odds are, and our negotiators will see to that, that we can obtain full value in exchange, in the form of valuable concessions in other fields. The entire complex of world trade can only be solved on a give-and-take basis, hence we must decide where our interest lies and act accordingly. It goes without saying that we are profoundly interested in a peaceful world. And if, in return for tariff concessions, we can obtain modification of the Ottawa agreement, it would mean a big step forward in the direction of freer world trade. So would be British concessions on the cartel question, perhaps the most difficult and controversial obstacle lying across the path of world trade cooperation. The stark fact is that economic problems here and abroad vary enormously and in the interest of harmony and peace, not to mention mutually profitable trade, we cannot afford to shut our mind to this fact. Rather we must mobilize a powerful and realistic economic policy that will enable us to use our great weight and influence to the best interest of our country and the world as a whole.

For some time after the war, world demand for American goods will be enormous, limited only by purchasing power or the scope of financial arrangements that can be made with prospective buyers abroad. For a time it will be a controlled trade with most regions of the world, since few except Latin American countries and the European neutrals are likely to have enough purchasing power to pay for more than essential imports, if that much. Exports to those regions, and especially the war-torn countries, will probably be conducted under strict supervision and direction of the respective Governments, giving preference to foodstuffs, clothing, medicines and essential raw materials to get industries going. Non-essentials and luxuries will have to take second place and it may be some time until such goods may be permitted to enter. This may well apply, though more loosely perhaps, even to such countries as England, should currency considerations compel such a restrictive course immediately after the war.

When speaking in terms of foreign demand, we are frequently apt to think only of relief and rehabilitation. But beyond these, there is a surprising amount of purchasing power in the form of foreign balances. Latin American countries have estimated gold and dollar holdings of $2.5 billion. Even a goodly number of European countries have sizable balances with which to pay for American goods. The neutrals are known to have substantial gold holdings and foreign exchange reserves. Those of Switzerland, for instance, are estimated at $964 million. With all these countries, post-war trade for the most part can be carried on at normal trade terms without requiring special financing, except in the case of certain expenditures for capital goods.

France, Belgium and Holland are also reputed to have good-sized dollar balances, or at least had them though we do not know to what extent these were drawn upon for war and other purposes. They should be sufficient to cover immediate needs but will probably be short of requirements for rehabilitation.

In the long run, future foreign demand for American goods can be expected to follow the general pre-war pattern, with important exceptions, but more immediate demand will be largely determined by the impact of war on the various countries. All, including the neutrals, are starved for virtually every type of consumer goods and these will consequently form the bulk of immediate requirements. Food, clothing, medicines, fertilizer will be on top of the list, together with vital materials and capital goods needed for rehabilitation. This will apply principally to war affected countries, with the degree of need depending on the amount of destruction wrought by military operations. The neutrals and Latin American republics, many enriched by allied war-time purchases of vital raw materials, will be fertile markets for consumer goods, notably durables, and a variety of capital goods, due to worn out equipment and growing industrialization, especially in South

America. Since few nations outside the U. S. will be able to export immediately on a large scale, they must turn to us for their needs. So must almost every former belligerent country.

Britain will require foodstuffs, raw materials and machinery. The same is true of most European countries, with the quantity and categories of goods needed depending on the shape of their productive plant, at the end of the war. A large part of European heavy industry is badly damaged or destroyed; wherever the path of war has led, there will be ruins instead of factories.

Thus we may expect that France will be badly in need of farm implements to revive her agriculture, of electric equipment to rebuild her utilities, of chemicals to get industries going, and of rolling stock and locomotives to rehabilitate her transportation system. These needs are basic to reconstruction which can only be tackled after key industries are again in operation. Much the same may apply to Belgium and Holland, depending on actual war damage, and also to Italy. Add to this the urgent need of consumer goods in lands which for years had to go without replacements, and the enormous scope of potential demand need no further elaboration.

The task of reconstruction will be no less great in Soviet Russia, where war damage is extremely heavy in most of the industrialized parts of the country. Russia will need huge quantities of rolling stock and locomotives, electrical equipment and industrial chemicals, coal mining equipment for rehabilitation of the destroyed Donbas coal fields, and billions' worth of capital goods of all kinds, notably machine tools, automotive equipment, precision instruments, oil well drilling machinery, gasoline refineries and power plant equipment. Even now, International Telephone & Telegraph Co. is negotiating for rebuilding of the Russian telephone system, and large locomotive orders have been placed or are pending while active negotiations with electrical equipment and chemical manufactures are reported.

As far as Russia is concerned, our industry, however, can expect stiff competition, notably from Britain and in lesser degree from Sweden; both these countries have already created centralized agencies to handle Russian orders. To counter these moves, similar steps may have to be taken by American industry and it would not surprise us if a Government agency, such as the Export-Import Bank, will eventually emerge in such a role, the more so as private industry will hardly be able to furnish the long term credits required to finance this multi-billion dollar business. The same applies to the bulk of rehabilitation activity in Europe.

In Latin America, the war has altered many things. It has forced most of the countries to develop resources hitherto undeveloped or neglected. In part, this was the result of war demands for strategic raw materials, and in part of attempts to supply commodities that could no longer be obtained from former suppliers. Thus the important factors which may be expected to influence the character of our post-war markets are expansion and diversification of production in these countries, growth of manufacturing, wider distribution of wealth and extensive public works programs, including improvements of transportation facilities. This in itself sets a rough pattern for post-war exports but perhaps most important beyond the immediate restocking boom will be the future ability of the Latin republics to maintain their purchasing power by maintaining their own exports at satisfactory prices, by continuing their own economic progress against revived competition from former suppliers and new rivals.

Whatever the eventual pattern which naturally will vary from country to country, American exporters can look forward to satisfactory, even booming trade with Latin America for a number of years. Thereafter, world economic factors will be the primary determinants. More immediate needs are fairly clear-cut, and what's more, the wherewithal to pay for them exists.

In particular, Mexico needs oil well equipment, textile machinery, railroad and road building equipment, agricultural implements and numerous consumer goods, including large numbers of automobiles, radios, etc. This latter need is characteristic of all Latin countries where stocks are exhausted, replacements virtually unobtainable.

Brazil will become an excellent market for numerous capital goods, machinery for new plants and for expansion of existing ones. More particularly, there is great need for textile and mining machinery, machine tools, hydroelectric equipment, transportation equipment, road building machinery and others. Deferred demand for capital goods is estimated (*Please turn to page* 319)

EXPORTS OF UNITED STATES MERCHANDISE BY PRINCIPAL COMMODITY GROUPS

(in millions of dollars)

	1929	1932	1936	1937	1938	1939	1940
Rubber and manufactures...	$77.0	$16.4	$23.4	$32.1	$27.2	$39.4	$44.4
Tobacco and related products	165.6	72.8	147.9	147.8	170.0	92.3	57.4
Cotton, unmanufactured....	770.8	345.2	361.0	368.7	228.6	243.0	213.4
Cotton manufactures.......	111.2	36.2	33.0	43.6	45.3	56.3	60.3
Wood, semimanufactures-sawmill products........	110.6	26.3	44.6	55.7	37.6	41.2	36.6
Paper and manufactures....	37.1	15.3	22.5	31.1	25.9	31.7	66.3
Coal and related fuels.....	106.2	44.5	56.6	67.4	55.9	66.7	87.2
Petroleum and products....	561.2	208.4	263.1	376.2	388.6	383.1	310.1
Iron and steel semimanufactures..............	104.1	14.5	79.8	232.1	132.5	169.1	371.2
Steel-mill products-manufactures..............	96.0	14.3	32.0	67.9	51.8	66.6	144.8
Iron and steel, advanced manufactures...........	89.6	19.8	37.9	52.1	43.3	49.8	68.4
Electrical machinery and apparatus.............	128.0	43.0	91.4	112.6	102.1	105.2	116.7
Industrial machinery.......	265.2	58.5	158.5	240.5	269.9	289.9	450.7
Office appliances.........	53.8	14.9	29.8	37.7	29.2	29.2	21.0
Agricultural machinery and implements............	140.8	10.5	44.0	75.3	75.4	68.5	76.9
Automobiles and other vehicles...............	591.4	90.1	279.5	409.9	362.5	393.9	641.3
Coal-tar products.........	17.9	8.8	13.8	14.9	9.9	14.5	28.4
Medicinal and pharmaceutical preparations........	21.5	10.0	14.4	18.0	17.1	22.3	29.3
Chemical specialities......	15.4	9.9	20.5	27.5	29.0	36.0	38.5
Industrial chemicals.......	27.2	15.0	22.1	27.5	25.1	36.5	53.6
Pigments, paints and varnishes................	29.1	10.4	17.8	21.6	18.7	22.8	22.4
Soap and toilet preparations	16.1	6.4	8.1	9.2	9.0	10.3	8.5
TOTAL EXPORTS OF UNITED STATES MERCHANDISE.......	5157.0	1576.1	2419.0	3298.9	3057.1	3123.4	3934.2

How Much Longer Will Consumer Goods Dwindle?

BY RICHARD COLSTON

Before this war ends, the home front may well go through another shortage period, this time with the accent on soft goods and in lesser degree perhaps on certain foodstuffs. While the pre-invasion freeze on additional civilian production programs has been lifted and a few scattered new programs are making their appearance, it would be a mistake to assume that consumer goods shortages are on the way out. Rather we shall find that as the invasion of Europe progresses, certain sectors of our already depleted civilian supply will be further pinched and that invasion progress will determine the course of vital shortages in a good many fields. In soft goods, particularly, the sharpest pinch may thus not coincide with the period of greatest intensity of our war effort but may be felt at a time when victory is well in sight and war production on the verge of tapering off in substantial degree.

The reason for this is fairly obvious. Liberation of Europe will thrust upon us new responsibilities for supplying food, textiles, fuels and other non-durable goods at a time when production of many of these items is at a low point and war output still pre-empting the bulk of our manpower and productive facilities. This applies especially to soft goods. Their output reached an all-time peak in mid-1941 and has since remained largely stable. But demand of the armed forces, lend-lease and foreign relief rose progressively with the result that supplies available for civilian home consumption dropped as much as 25% over the past three years. Today, invasion is further increasing the military "take" of a good many materials in short supply, notably textiles, and mounting relief needs in liberated territories will further affect the supply outlook.

This situation, once it culminates, is bound to create increased pressure on price levels, calling for sustained stringent price control and carefully planned distribution if unsettling repercussions are to be avoided. Also, as long as military operations require a high level of war production, we may ultimately be confronted with the alternative either to press soft goods output at the partial expense of war production or else cut relief shipments abroad to the practical limit imposed by the requirements of war and the demands of the home front. Prospects are that an attempt will be made to reconcile the situation in a manner that will least affect the war effort. Consequently, the squeeze in soft goods can be expected to intensify from now on, reaching its peak after victory in Europe and perhaps lasting for the duration of the war against Japan.

Conflicts inherent in the supply situation are highlighted by the recent clash over textile exports. A rift between two Government agencies arose over the issue of whether the needs of civilians at home or those of our allies should be emphasized in the distribution of cotton textiles for clothing. As relief requirements begin to be superimposed on already burdensome supply problems, such rifts are bound to become more numerous, and possibly also more serious.

Post-invasion needs abroad will at first center primarily on food and clothing. Reserve stocks for this purpose have already been accumulated but are said to be far from adequate so that ultimately further inroads on our civilian supply appear inescapable. Immediate objectives in feeding liberated populations will require such low-cost foods as grains, lard, pork products, dried beans and vegetable oils. The ultimate goal is to get agriculture again going in liberated areas. This in turn will mean supplying seed, feed, fertilizer, insecticides and farm implements. Thus as the war in Europe nears its end and the scope of our relief activities expands, it is a safe guess that the food situation at home will once more tighten.

The actual weight of the burden that will eventually fall upon us can naturally not be foretold with accuracy. Some believe that the resultant diversion from our total food production, now amounting to roughly 25% for the armed forces and lend-lease, may rise at least another 5% on an overall basis though it will vary as to categories. Still with food production goals, except livestock, continuing at record levels, home shortages need

not become severe and should not exceed the pinches experienced so far during the war period.

The textile situation on the other hand poses far more difficult problems. Here the worst is yet to come, and the greatest bottlenecks are still ahead. In 1944, production of civilian textile materials will be far short of what the buying public will want and need. Despite critical manpower and materials shortages, the textile industry faces tremendous demands, not only for military and civilian needs but for essential requirements of some of our allies and for forthcoming relief action abroad. At this writing, the manpower situation is getting worse and inventories are lower than at any time since the war began. It has been estimated that 1944 requirements might well exceed output by two billion square yards. The reason for this situation lies partly in the recent pooling of textile producing facilities of the United Nations to meet essential world textile requirements. The Combined Production and Resources Board for the first half of this year has assigned to the American textile industry an export quota of 490 million square yards or 9% of estimated production. This compares with total 1939 exports of 367 million square yards, and 1939 was an excellent year.

Growing Pinch in Textiles

As a result of mountainous requirements for export, military and lend-lease purposes, which together preempt some 60% of total textile industry output, civilian shortages which have been gradually building up in the past are now rapidly becoming more critical. The pinch is already severely felt in a number of basic and essential categories, and the supply in such items as work clothes, men's underwear, children's wear, cotton sheets, woolen and worsted fabrics is now quite tight despite the fact that exports, too, are seriously short of previous commitments. Chief trouble is that production not only is unable to keep pace with demand but actually has been retrograding for lack of labor.

There are other tight spots in our economy. Coal is critical and the prospect of a grave coal shortage this coming winter is increasingly stressed in official quarters. This year's supply of bituminous coal is expected to fall some 30 million tons short of requirements, raising the specter of eventual industrial curtailment. It is now said that the solid fuel situation is expected to worsen to such an extent that before the end of the winter there will be a mad scramble for any kind of fuel.

Even speedy victory in Europe would not lessen the seriousness of the situation. Considerable soft coal is now being shipped to the European war theatre with the result that many industries are forced to utilize other types of coal. Foreign demand will continue heavy and after successful conclusion of the European war may even mount for a time until mines abroad are again operating. The British coal industry, normally chief supplier of European importing countries, is in poor shape and for a time after the war will not be able to do the job. It will be up to us to jump into the breach which means a tight home market for a considerable period.

In petroleum products, we are just about able to make both ends meet and no great easing after the end of the European war can be expected since lessened military requirements will largely be offset by relief needs. Besides, the war in the Far East will continue to consume huge quantities.

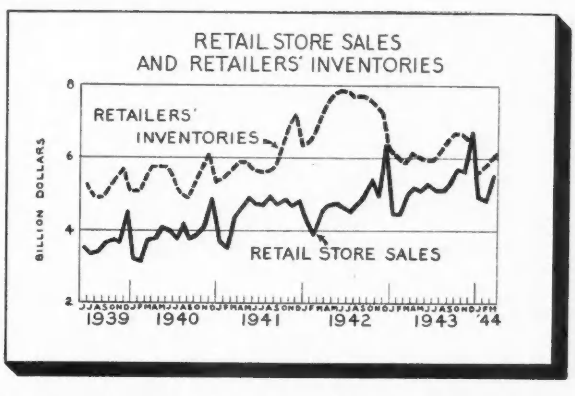
The lumber situation remains so critical that restrictions on the use of lumber are constantly being tightened. It is chiefly a manpower problem, and to resolve it at least to some extent, foreign workers in considerable numbers, as well as war prisoners, are now being used for logging operations. Even at best, the lumber supply will remain tight.

As a corollary, pulp and paper continues extremely short, and the scarcity of paper and wooden containers will be a seriously limiting factor in production and distribution throughout the year. Even glass containers, especially smaller sizes, are in short supply.

Livestock feed is another sore spot and the War Food Administration, taking note of the threatening exhaustion of our feed grain supplies, has reduced livestock goals for next year.

Thus in textiles, coal, lumber, paper, tobacco and some other industries, we find output seriously threatened by labor shortages, and this situation will not immediately change once war output is cut after German defeat. It will take some time to readjust manpower distribution after the turning point has been reached, and build up the normal production process in line with principles dictated by the need for greatest economic stability. Under the circumstances, there is little inclination to question the recent opinion of Donald Nelson, Chairman of the WPB, that it will take 6 to 8 months after Germany's collapse before large-scale production of civilian goods can be resumed. In the interim, with European relief requirements mounting and the war against Japan remaining to be fought to a successful conclusion, shortages may well be pronounced in various fields, notably soft goods, for the piecemeal stepping-up of civilian production will nowhere reach the mark of insistent demand discernible now and likely to grow in the near future.

Some progress, nevertheless, is being made in some directions, mainly in the consumer durable goods field. Late last month, WPB announced two new production programs calling for manufacture of 88,000 electric ranges and 100,000 electric fans during the current year. Additional quotas for 157,000 electric irons were also authorized, bringing the aggregate approved to date to some 926,000 irons or almost half the original 1944 goal



of two million. WPB also permitted resumption of telephone set manufacture for civilian purposes on the limited basis of 200,000 sets per quarter year, and resumption of production of 48 items of commercial laundry, dry cleaning and tailor's pressing equipment for civilian use. Restrictions on the manufacture of automotive parts were further eased, some receiving quotas equalling 1941 production which was extremely high. Others were raised from 20% to 50% of 1941 output. *(Please turn to p. 322)*

Happening in Washington

Charles Phelps Cushing Photo

By E. K. T.

Congress has demonstrated its willingness to finance the cost of war, no matter how high and no matter how filled to overflowing the war chest already is. New funds are being set aside with the beginning of the next fiscal year, June 30, in spite of the fact that out of 74 billion dollars voted to the War Department to date 34 billions haven't been touched. That boils down to $612 for each of the country's 50 million income tax-payers and to $261 for each man, woman and child living in this country.

Washington Sees:

The building industry, with roots in scores of manufacturing and business lines, will be one of the first objects of anti-trust policing when the war comes to an end. It will be a Department of Justice revival of the campaign which Thurman Arnold conducted for years but in which he was able to do little more than make a record of the interferences placed in the way of more efficient and economical housing in the United States.

Where unions refused to permit their members to perform work on prefabricated dwellings it was futile to develop a pre-cut building trade. Where sympathy strikes were called or jurisdictional issues cropped out with the installation of, say, a ready-mix cement hauler it was wasteful to invest in such a labor-saving machine. Arnold crusaded for statutes to overcome court rulings that labor organizations may throw their weight behind drives not related to the safety, wages and hours, and job protection of their own members. Congress nibbled, but never took a really deep bite into the subject.

Attorney General Francis Biddle has promised to take up the cudgels as a post-war necessity. The demand for low-cost housing then will be enormous, he predicts. "Labor," he has counselled, "should be particularly concerned."

SEC Estimates of the growth of the net working capita of American corporations over the past four years woul seem to suggest that, by and large, enterprises shoul have no difficulty in financing the reconversion of plant to civilian production. The amounts are unprecedente in total, and in their liquidity. By the end of 1943 ne working capital was $41.6 billions, against $24.6 billion at end of 1939. Still, many individual concerns expectin large expansion over former peace-time volume will nee capital financing regardless of the overall financia strength of industry.

First Tax Cut in fifteen years may come in 1945. It i expected Germany will have been defeated by the en of this year; that unemployment will be a serious prob lem; and that the White House and Congress will b yearning for all the private business activity that can b generated. With total war costs sharply lower, taxes wil probably be cut fairly promptly. But the corporate exces profits tax will be a problem. It will have a logical basi until Japan also is defeated, and the 40 per cent norma and surtax will be hard to cut meanwhile. So persona income taxes may be first on the schedule.

War's Pace will be faster, more decisive and probabl more costly during the next few months, according t the Washington consensus. The most crucial Russian offensives are yet to be launched, the drive on Finlan being a preliminary. Since we are now able to pyrami men and equipment into France, there is confidence tha the whole Cherbourg peninsula will be taken in near fu ture—but this also is a preliminary. It is the base—or on of them—from which the subsequent all-out offensives t crush German power will be launched. If things continu to go well, the latter and final phase may possibly begi by mid-July.

Free Ports for refugees have the capacity to solve th problem which was facing professional men and other who suffered some under the first impact of refugee ar rivals and looked for a greater competition as the flo increases. Adapted from the commercial free port a Staten Island, such an asylum would be a stopping plac for refugees until they can be transshipped. Like fre port merchandise, they would not enter the channels o trade, industry and the professions.

Baruch says hurry, hurry, hurry to Congress and WPB -- or face grave risk that the end of the war in Europe will find us in a frightful mess, with industry in a tailspin and millions out of work. Senator George urges prompt legislative action on his own committee's 16-point program. But there isn't much ground for optimism.

The contract termination legislation, already passed by the Senate, awaits disposition in the House. It will be rounded out. Better safeguards will be sought both for employees and employers. But a great deal more awaits to be done.

Indeed, practically speaking, almost nothing has been done so far to ease the transitional adjustments that will confront us. There is much talk and many "plans". There was the Truman Committee Report, the Baruch-Hancock Report and the now the 16-point recommendations of the Senate Post-War Economic Policy and Planning Committee. The House has a special committee working on its own. It could be a case of too many cooks. Anyway, the broth is not in sight.

A post-war tax bill, as urged by Baruch, just has no chance of serious consideration before election. Various other problems placed on the Congress door-step in recent months also appear to solons just too hot to handle now.

So Congress will make a show of friendship toward business, then leave Washington in droves for electioneering. This might be bad politics. But the Republicans are as asleep at the switch as the Democrats in planning for unwinding the war economy, so it seems to cancel out. Only a public clamor will get either the Administration or Congress to plunge promptly and effectively into preparing for peace on the homefront along lines so clearly traced by the Baruch-Hancock report.

Revolt against the New Deal in the southern states -- begun by Texas and South Carolina, moving in differing ways but toward the same objective -- is annoying, but isn't worrying, the party leadership too much, though the threat has grown since our last issue.

Texas anti-Roosevelt Democrats in convention selected a slate of national convention delegates to their own liking. Administration supporters did likewise. The convention, already dominated by Roosevelt strength, has the power to say which group will be seated.

Several states will follow South Carolina's lead in delaying the choice of Presidential electors until the party has selected its candidates and platform. They don't want Roosevelt and Wallace to begin with, but their primary interest is in defeating any racial equality platform.

Electors run as individuals. They aren't described on voting machines or ballots as pledged to anyone. Elected on the Democratic ticket they may, wishing to do so, vote for the Republican nominee.

The South remembers 1928 and the Smith-Hoover campaign. The solid Democratic support broke at several points, helped elect a Republican president. Party bosses who had built strong machines on Federal patronage saw those jobs go and with them their machines.

The protesting states can elect their own state-house and congressional tickets and still punish the New Deal for its alleged sins. Not in a quarter of a century, however, has a Presidential race been close enough to be decided by electoral votes amounting only to the total involved in the Southern defection.

Below the Mason-Dixon Line, politics is taken seriously. The field is a career for those who pull the strings. The Administration is confident there will

be no important political sucidies this year. So confident, no one is trying to talk the southernors out of their "mad."

Headed for the pigeon-hole until after the election are costly rivers and harbor and flood control bills, aviation and shipping policies, radio broadcasting reforms.

Decision by the Supreme Court that insurance companies operate in interstate commerce (a ruling which makes them subject to taxes, regulations and limitations imposed by the Federal Government) may rush that issue to the floor of Congress.

Support for a Congressional mandate negating the high court ruling has grown. It is doubtful whether it had reached strength to guarantee success and its guiding minds would rather postphone a test.

American Federation of Labor is toying with the idea of coming out in support of Dewey for President. The craft unions say C I O had been given its own way too much in Washington.

Not of fundamental importance but existing through the pre-Roosevelt years, was a quarrel between William Green and John L. Lewis as to where the then-dominant A F L should throw its political strength. Green is a dyed-in-the-wool Republican.

"Must' reading for businessmen is the newest budget of the Office of Price Administration -- not the figures but the items. It discloses the plan of action for 1944.

Projected are increased expenditures for enforcement with more emphasis on detecting and punishing theft or counterfeiting of gasoline coupons; extension of rent control to about 60 more areas; no plans for expanding rationing beyond commodities already controlled; and a cut in rationing appropriations.

Also: increased control of clothing prices; inauguration of pricing of Government-owned surpluses and civilian goods processed in the reconversion period; re-vitalizing of "consumer committees."

Employeers must be content for several years at least with a lowering level of education, particularly specialized college training in their staffs. The war drained off college students to the extent of 69 per cent in the last four years. In high schools, despite the youth of the pupils, a reduction of 8.7 per cent is noted.

And employers who formerly took their staff members fresh out of school and "brought them up in the business" are likely to find a new interval interrupting. The universal military training bill, involving all lads of 18 years is a definite legislative possibility.

Commercial aviation seems destined to lead the parade of war-converted business back to the goal of private operation. The Army Air Transport Command is taking over domestic operations formerly handled by contract, freeing transport planes for commercial routes.

Washingtonians are wondering what effect future utterings by Rep. Clarence Cannon will have on the national fiscal policy. Chairman of the important appropriations committee he closed his plea for foreign relief funds with a statement that the invasion "will begin in a few days."

Cannon's assertion was taken to be a figure of speech until the invasion news broke over the nation -- exactly three days later.

War Manpower Commission has lost its industry-minded member, Deputy Chairman Lawrence A. Appley who resigned because of ill health, and the strong man behind the persuasive force, as distinguished from the bureaucratic command, is gone.

Threats were no part of the programs assigned to Appley. He had been a success in private enterprise under his policy, saw no reason why it wouldn't work in Government.

Electric Auto-Lite Photo
Assembling generator voltage control regulators

Selecting Best Stocks in the Most Promising Industries

No. 7—AUTO ACCESSORIES

Our Two Stock Selections:
Electric Auto-Lite
Stewart-Warner

BY WARD GATES

Editor's Note: This is the seventh of a series of articles on industries we believe most promising from an investment-speculative point of view. From each, two stocks will be selected: one, our conservative choice for income and appreciation; the other, our choice for more speculative investment. For guidance on timing of purchases, follow the A. T. Miller market analysis in the fore part of each issue of this publication.

PROSPERITY or depression in the automobile industry naturally means – in fact guarantees – good times or bad for the manufacturers of auto parts and accessories. In this respect they are, so to speak, industrial Siamese twins. Since the motor makers have an excellent post-war volume potential, so also do the suppliers of accessories. The latter field, therefore, is a "natural" for inclusion in any list of industries regarded as having above-average post-war prospects.

In most cases the accessory manufacturers have fared better during the war period—and probably will continue to do so until normal peace-time operations are restored—than has the bulk of the automobile industry as represented by General Motors, Chrysler and Ford. On the average, conversion to full-scale war work was quicker, because requiring less extensive reoganization of facilities, than in the case of the big auto companies, and yielded earnings comparing more favorably with best pre-war years. In most instances, the physical task of reconversion to civilian production is simpler than for the industry's customers: the auto manufacturers. Profits having been generally good, the industry appears likely to emerge from the war with a greater *relative* gain in financial position than the automobile industry, with the exception of "independents" who didn't prosper before the war.

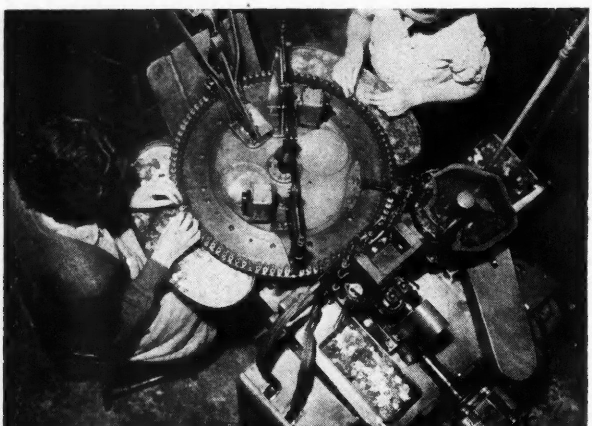
The duration of the expected post-war period of high automotive activity is, necessarily, somewhat conjectural. It depends, most of all, on the level of employment and consumer puchasing power, and the related question of whether substantially higher production costs, as translated into prices of cars, will importantly affect demand. However, the consensus of governmental and private economists is that consumer purchasing power, both as current income and as savings, is likely to be much higher than before the war and that, the accumulated need for automobiles being demonstrably huge, a "lengthy" period of high production is indicated.

But the duration of the period also depends on the policies of the big motor makers in "spreading" the business. The industry has never produced—and probably never will—at full capacity, three shifts a day, 52 weeks in the year. It could flood the market fairly soon if it did. Instead, it very likely will pace out the production in the interest of stable employment so far as reasonably possible. On this basis, the writer believes it likely there will be, say, four years averaging 5,000,000 cars and trucks, but not more than 6,000,000 a year in the early period of most urgent demand.

In the past, investment in accessory stocks involved one risk characteristic of the business: namely, pressure on profit margins due to close bargaining and shopping-around practices by the automobile manufacturers. The writer is not prepared to say that this risk has been eliminated, but believes it has been greatly reduced. Something like 90 per cent of the automobile market has come to be centered in three companies, their competitive positions appeared to have become substantially stabilized in recent pre-war years, with less shifting about of parts and accessory contracts and with a greater tendency toward fair, live-and-let-live relations with suppliers. Moreover, the period we are here concerned with should be one of ample business, with fair profit margins, for all in the automotive business—or at least for the strong companies—and we are not recommending any auto-

motive stocks for "permanent investment," nor, for that matter, on any other stocks to be "put in the box" and forgotten.

Then too, regardless of the considerations in the preceding paragraph, it is a fact that over the period since we emerged from the great depression in 1934-1935 some of the stronger parts makers have had earnings and dividend records which, as regards both stability and generosity, compared well with those of the leading motor makers—much better than those of the "independent" motor companies. It is also a fact, and a pertinent consideration for speculative investors, that the major market swings of various accessory stocks, especially those in the low-price range, are habitually greater than those of the market average or of the leading automobile stocks.



Stewart-Warner Photo

An automatic machine for fast and accurate manufacture of automobile speedometers

There are quite a few "good" companies in the parts-accessory field; also a number of more speculative stocks with much merit. Therefore, choice is not easy and inevitably leaves room for debate and difference of opinion. Two of the best, in the writer's opinion, are Electric Auto-Lite and Borg-Warner. The latter, analyzed at some length in our issue of April 1, is the more diversified; but nevertheless Auto-Lite had a somewhat better record of per share earnings and dividends and is, therefore, our investment choice in this series. Our speculative choice is Stewart-Warner.

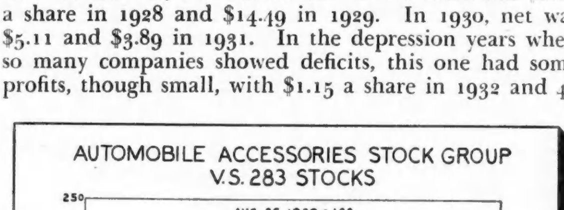
Before examining these two companies in detail, let us emphasize that all automotive stocks have had a very great rise from their lows, that civilian production on a scale large enough for good operating profits is at best many months away, that reduction of war taxes is an indefinite distance away—in short, that on a timing basis market optimism on these stocks may readily be overdone and they may be subject to considerable reaction. We therefore definitely do not urge current purchases.

Electric Auto-Lite was formed in 1911 as a division of the old Willys Corporation; but was segregated and incorporated in Ohio in 1922. As an independent company, it started early in its career to branch out, acquiring other companies and going into new, though related, lines. Among the most important acquisitions was the ignition, lighting and starting accessory business of the American Bosch Magneto Co., and of Gray & Davis, Inc., in 1926. In 1928, the battery and electrical business of USL Battery Corp., Prest-O-Lite Storage Battery Corp., Marko Storage Battery Corp. and Wubco Battery Corp. were acquired. The storage battery business of Westinghouse Electric & Manufacturing Co. was purchased. Other companies which were acquired, or their assets purchased, included Eclipse Machine Co., Columbus Auto Parts Co., Moto Meter Gauge & Equipment Co., Owens Dynoto Corp., Fostoria Machine & Tool Co., John W. Brown Manufacturing Co. and Corcoran-Brown Lamp Co.

The result of all of these additions was a rounded company which is in many of the more important motor accessories. Its particular forte is lighting, starting and ignition systems for use in passenger cars, trucks, tractors and boats. Among other products are spark plugs, storage batteries, lamps, instrument panels, speedometers, gauges, wire and cable used in motor vehicles, generators, horns, heaters, hub caps, windshield wipers, and bumpers. The company has developed a fair number of products for use outside of the motor car industry, including arc welding equipment, cooking utensils, electric fans, electric irons and other household and farm electrical items. All of the above were the normal output in the pre-war period. A number of them have been used for vehicles ordered for the armed forces. There has also been some business for aviation and in munitions. Before the war, Auto-Lite operated a number of service stations for its products both in the United States and in foreign countries. Some of these have been maintained and others closed in the past two years.

Electric Auto-Lite was growing rapidly in the early 1920's when connections were made with the new Chrysler Corporation, which proved to be of great benefit to both companies, for the major part of Auto-Lite's sales from then until the war started were to Chrysler. This close association is expected to be resumed after the war ends.

From its first years as an independent company, Auto-Lite showed good profits. They grew very large in the late 1920's, and after a new stock issue, which was exchanged for the old common on a basis of 2⅜ shares of new for one old, net income on the new stock was $8.60 a share in 1928 and $14.49 in 1929. In 1930, net was $5.11 and $3.89 in 1931. In the depression years when so many companies showed deficits, this one had some profits, though small, with $1.15 a share in 1932 and 44



cents a share in 1943. Income increased to 78 cents a share in 1934, and then started to climb, reaching $2.23 in 1935. The years 1936 and 1937 were the best in the motor industry during the 1930 decade, with the company showing $3.51 in 1936 and $3.43 in 1937. In 1938, many companies had a violent decline in income, but

Electric Auto-Lite showed $1.53 that year. Preparations for war in the next three years and the war itself caused a sharp lift in the per share earnings, which were $4.72 in 1939, $5.01 in 1940, $4.90 in 1941, $3.41 in 1942 (exclusive of 50 cents a share post-war refund, and $4.06 in 1943 (exclusive of $1.40 post-war refund). Thus in the past five years, the company has averaged $4.40 a share.

The 1943 report showed the largest gross in the company's history, by a wide margin. The $136,348,609 total business was more than $53,000,000 in excess of that for 1942. Costs increased greatly, with the $104,368,933 for that item more than $40,000,000 above the year before. Selling and administration expenses were moderately higher, but the $16,835,150 tax bill was nearly $9,500,000 above 1942. The final result was net after reserves only slightly larger than the previous year.

Auto-Lite's capitalization started with only 250,000 shares, with stock given in acquiring other companies, then the 2⅜ for 1 split in 1938. It had been $1 par at the beginning. It is now $5 par value with 1,196,743 shares outstanding. Ahead of it is $6,800,000 in 2¼% debenture bonds, due in 1950. The earnings on them before taxes were nearly 100% in 1943, and after taxes, nearly 43½%.

The December 31, 1943, balance sheet showed cash assets equal to $4.40 a share and net current assets equal to $9.94 a share, after the deduction of the par value of the bonds. The fixed assets, consisting of plants in many localities in the Middle Atlantic and Central States, with the main ones at Toledo, Ohio, are carried at $16,627,616. This item alone is equal to $13.89 a share on the stock, bringing the book value of the stock to $24.53 a share.

Dividends were large in the 1920's, often amounting to well above $4 a share, reaching $6.50 in 1929. Payments declined with the lower earnings in the early 1930's, and in 1934, no payment was made. With the return of better earnings, a dividend of 30 cents was paid in 1935, with $2.60 each in 1936 and 1937, followed by $1 in 1938. In the past five prosperous years, the directors have been more liberal, paying $3 a share each in 1939 through 1941, and $2.25 in 1942, and $2 in 1943.

There are possibilities for an extra, besides the expected $2*payment this year, as earnings promise to be better than in 1943. In the first quarter, gross was $35,161,549, an increase of about $3,300,000 over the first period in 1942, and net after taxes of $1,439,890 was more than $200,000 higher than last year. The per share earnings in the first quarter of 1944 were $1.20 against $1.03 last year.

Market prices for the stock were very high in the 1920's, making a top of 174 for the present stock in 1929. The depression low was 8½ in 1932. The best figure reached on the recovery was 47½ in 1936, but in recent weeks, this has been approached again. From the 1936 high, the lowest price in recent years was 13¼ in 1938. The 1942 low was 20⅝ and in 1943 the high figure was 39⅛. So far in 1944, the range has been 43¾-37½.

With the possibility that the invasion of Europe may mean that the war will not last much longer, it may not be so long before the news will tell of renewal of civilian auto contracts, with electric systems for Chrysler, and sales of motor parts also to Packard, Hudson, Nash, Ford, Studebaker and others.

Stewart-Warner Corporation was once one of the leaders in this field, but it dropped to the secondary group some years ago, following the loss of some of its formerly large business in speedometers and auto temperature gauges. In the period when the motor industry was developing its great volume of business in the early days of the present century, the predecessor company owned the basic patents on speedometers, and later on the thermometers used on cars to register water temperatures. These patents and the making of these devices brought the company large profits, but they finally expired, others entered this field, and for a time Stewart-Warner was in a handicapped position, until new products were brought out and markets developed. This has been successfully accomplished and the company has regained a good position in the motor accessory field and is planning some new products for post-war development which offer apparent promise.

In the period from 1913 to 1929, Stewart-Warner was one of the more liberal dividend payers. Often dividends were $6 to $9 a share annually, and in 1919 the stock was split 4 to 1. Liberal (*Please turn to page* 318)

STATISTICAL COMPARISON

	Electric Auto-Lite	Stewart-Warner
CAPITALIZATION		
Funded debt	$6,800,000	None
Preferred stock	None	None
Common stock at market value	$51,459,949	$17,820,880
	1,196,743 sh. @ 43	1,272,920 sh. @ 14
INCOME ACCOUNT, YEAR TO DEC. 31, 1943		
Gross revenues	$136,348,609	$115,064,408
Operating profit	23,807,116	18,166,918
Federal taxes (after postwar refund)	16,835,150	15,520,000
Net earnings available for common stock (after reserves, credits, etc.)	4,843,841	2,011,085
% of operating profit to gross	17.4%	15.8%
% of net earnings on stated value of common stock	79.4%	31.1%
Earned on common stock per share	$4.06	$1.58
Earned on common stock, % of market value	9.4%	11.3%
Ratio of gross revenues to total market value of common stock	2.7 to 1	6.4 to 1
1936-9 average net per share	$3.32	$0.89
1936-9 average net, % of market price	7.8%	7.3%
Dividend rate	$2.00	$1.00*
Dividend yield	4.6%	7.1%

*Based on payment first half 1944—see text.

	Electric Auto-Lite	Stewart-Warner
BALANCE SHEET, DEC. 31, 1943.		
Cash assets	$12,081,563	$9,538,010
Receivables, net	14,687,435	9,715,459
Inventories, net	17,730,313	14,001,535
Total current assets	44,499,311	33,255,004
Total current liabilities	25,799,286	19,257,168
Net current assets	18,700,025	13,997,836
Current ratio	1.7 to 1	1.7 to 1
Net tangible assets available for common stock	$31,947,329	$24,331,228
Cash assets per share	$4.40*	$7.38
Net current assets per share	$9.94*	$10.99
Book value per share	$24.53	$15.45
Net tangible assets per share	$26.28	$18.82

*After deducting par value of bonds.

REALISTIC APPRAISAL OF POST-WAR CORPORATE PROFIT POTENTIALS

BY LAURENCE STERN

ONE of the few things about the stock market that is beyond dispute is that it is very little interested in war-time earnings and that equity values are being shaped predominantly in terms of what people believe or hope about post-war earnings.

This is manifest in the popularity of many stocks generally regarded as having "above-average post-war potentials"—such as farm equipments, automotive issues, tires, household equipment, etc.; and in the laggard action of stocks about whose post-war prospects people are uncertain or skeptical—such as heavy steels, coppers, aircraft, etc.

Meanwhile, on the same psychology, the market as a whole is indifferent to the fact that corporate earnings in the aggregate have passed their war-time peak and, even if both wars continue through 1944, will be materially lower this year than last. United States Treasury estimates, which in the past have been reasonably accurate, now forecast total 1944 profits at $8.5 billion, a reduction of $1.1 billion, or over 11 per cent, from 1943 results.

To investors there is no question more important or intriguing than that of post-war earnings. Obviously they can not be forecast in any real meaning of the word, since in individual company situations we can not know what the post-war sales volume may be, what the operating profit margin may be, or what the Federal tax rate may be. That is why all discussion of the subject has been couched in such general and vague terms.

However, it seems to me that at least the *possibilities* can be analyzed more concretely than has hitherto been done; and that is what we undertake in this article. In the accompanying table are 55 prominent companies, representing a wide diversity of industries, with projected "earnings potentials" for each. The method used is hypothetical and we emphasize that the per share figures are possibilities and not forecasts. Nevertheless they give the investor something more than a nebulous basis on which to orient expectations, for they show what earnings actually *would* approximate under various stated and reasonable assumptions as to volume, profit margins and taxes.

The method of calculation is as follows: (1) We take 1937 volume and pre-tax earnings as the base for comparison, that having been the top year of the last pre-war major cycle of business expansion. (2) We calculate earnings potentials under twelve different combinations of volume, profit margins and Federal taxes, as more fully explained in footnotes under the table on the opposite page; and for convenience in studying these post-war potentials under the various stated assumptions, the first column of figures shows the actual reported net per share for 1943.

In the first calculation (for "X" Year A) we assume a 50 per cent gain in volume over 1937 and the same profit margin as in 1937. That may be on the rosy side. Then, to the indicated pre-tax net we apply alternative Federal tax rates of 50% and 40%. This would not seem overly optimistic, since it is generally agreed that the excess profits tax will be eliminated "fairly soon" after the war and the present normal and surtax rate is 40 per cent. Similar calculations are next made on the same premises for "X" Year B but with a profit margin 10 per cent less than in 1937; while for "X" Year C the conditions are the same, but with profit margin 20 per cent less than in 1937.

For the remaining projections—"Y" Years D, E and F—we assume a volume gain of 33⅓ per cent over 1937, otherwise making the projections of earnings potentials under the same hypothetical alternatives of profit margins and taxes as in the preceding paragraph.

The results certainly provide food for thought—and some surprises. As will be seen from the table, the indicated variations among companies are very wide. First, however, let us consider the over-all indications, by averaging the calculations. On the most optimistic hypothesis (50% volume gain over 1937, profit margin as good as in 1937 and 40% tax rate) earnings of these 55 companies would average $4.36 a share, against actual average of $3.65 in 1943, or a gain of only about 19%. On the same assumptions, but with a 50% Federal tax rate, the average would be the same as in 1943.

At the other end, the least optimistic premise (a one-third volume gain over 1937, a 20% lower profit margin due to more competitive business conditions and high wage costs, and a 50% tax) the average figures $2.58 a share or nearly 30 per cent less than in 1943.

In the middle, the indicated potentials on an average basis range from modestly above to modestly below actual 1943 results. If actual post-transition earnings are within the range of these calculated potentials, it would appear that the great bull market which many expect must rest on a higher market capitalization of earnings rather more than on a major expansion in earnings. Such a psychological spree is, of course, quite possible, even conceivable, as we saw in the late 20's and again in late 1936 and early 1937—and might run for some time before the usual rude awakening. Moreover, the most optimistic set of conditions used in these calculations *might* be on the under side. Volume gain might *exceed* 50% over 1937 and Federal taxes may eventually be *less* than 40%. Only the future will tell.

In any event, the average projections for the whole group of 55 companies are likely to be less at variance with post-war earnings, if the general condition approximates any of the premises used here, than will the potentials indicated for the individual companies.

If general business activity in a good post-transition year is 50% higher than in 1937, many companies could have a substantially greater percentage gain. To name

but a few, the rubber manufacturers, certain building materials companies, household equipment makers, some retailing concerns, might have volume gains larger than the maximum figure we have used.

On the other hand, some of the companies tabulated here may not, in the best post-war year, have a volume 50% bigger than in 1937, or even 33⅓% bigger. It might be open to question in the case of (normally) stable-volume situations such as Corn Products, Diamond Match, Endicott-Johnson. It might be open to question in the case of heavy steels, coppers, some of the larger integrated oil companies.

So we emphasize again that these are not earnings forecasts—but accurate calculations of what earnings would be *only under stated assumptions as to conditions of volume, profit margins and taxes.* The actual general condition in the best post-war year may differ importantly from all the premises used for comparative purposes; while as to volume and profit margins, individual companies almost certainly will in many instances have results varying from the sample premises we have used.

Even so, the table should be a useful tool to the extent that it aids investors in taking a "show me" slant on some of the more rosy generalities about high post-war earnings. If you note that a given company *must* have a volume 50% over 1937, a profit margin *equal* to 1937 and no *more* than a 40% tax merely to equal 1943 per share results; if you are skeptical that these conditions will be met in the given case; and if you note that the stock is already priced at, perhaps, 15 to 18 times this optimistically hypothetical earning power—no doubt you will think twice before buying it on a "tip" or because its current market action "looks good."

Under the minimum assumptions used—33⅓% increase over 1937 volume, 20% lower operating margin than in 1937, and 50% Federal tax—some of the companies which appear subject to higher post-war earnings than in 1943 are: American Smelting, J. I. Case, Chrysler, Commercial Credit, Underwood-Elliott-Fisher and United States Steel.

Under the most favorable assumptions set forth as to volume, profit margins and taxes, some of the companies for which projected potentials are substantially lower than last year's actual earnings are: Bendix Aviation, Eaton Manufacturing, Endicott-Johnson, Macy, National Dairy Products, Swift & Co. (*Please turn to page* 318)

SEE FOOTNOTES FOR KEY TO THESE EARNINGS PROJECTIONS

	1943 Net Per Share	X Year "A" 50% Tax	X Year "A" 40% Tax	X Year "B" 50% Tax	X Year "B" 40% Tax	X Year "C" 50% Tax	X Year "C" 40% Tax	Y Year "D" 50% Tax	Y Year "D" 40% Tax	Y Year "E" 50% Tax	Y Year "E" 40% Tax	Y Year "F" 50% Tax	Y Year "F" 40% Tax
Allis-Chalmers	$4.51	$4 58	$5.49	$4.13	$4.95	$3.66	$4.39	$4.07	$4.89	$3.67	$4.40	$3.26	$3.91
Am. Agric. Chem.	3.22	2.67	3.20	2.40	2.78	2.14	2.54	2.37	2.84	2.13	2.55	1.85	2.27
Amer. Home Prod.	5.16	3.50	4.20	3.05	3.66	2.80	3.36	3.11	3.73	2.80	3.36	2.49	2.98
Amer. Radiator	0.51	0.82	0.98	0.74	0.87	0.64	0.79	0.68	0.81	0.63	0.74	0.54	0.64
Am. Smelting	3.76	6.43	7.70	5.79	6.95	5.14	6.17	5.77	6.86	5.12	6.12	4.58	5.49
Am. Steel Found.	2.75	3.30	3.96	2.98	3.57	2.65	3.17	2.94	3.53	2.65	3.17	2.35	2.72
Am. Sugar Ref.	2.00	2.49	2.99	2.19	2.63	2.00	2.40	2.22	2.66	2.00	2.40	1.78	2.13
Am. Tobacco "B"	4.32	5.07	6.08	4.57	5.48	4.06	4.87	4.50	5.40	4.06	4.87	3.61	4.32
Bendix Aviation	6.95	1.05	1.26	0.95	1.13	0.84	1.01	0.94	1.12	0.84	1.01	0.75	0.92
Bethlehem Steel	8.57	7.03	8.43	6.32	7.59	5.62	6.74	6.47	7.76	5.82	6.98	5.17	6.20
Bigelow-Sanford	2.48	1.25	1.50	1.43	1.35	1.00	1.20	1.12	1.34	1.00	1.20	0.89	1.07
Bond Stores	4.43	2.17	2.60	1.95	2.34	1.74	2.09	1.95	2.33	1.75	2.10	1.56	1.87
Borg Warner	3.36	3.40	4.08	3.07	3.68	2.73	3.27	3.07	3.63	2.71	3.26	2.41	2.89
J. I. Case	2.55	4.12	4.94	3.66	4.39	3.29	3.95	3.66	4.39	3.29	3.95	2.93	3.51
Celanese	2.83	1.86	2.23	1.72	2.06	1.49	1.78	1.65	1.97	1.49	1.78	1.32	1.58
Chrysler	5.36	11.62	13.94	10.44	12.53	9.35	11.21	10.32	12.39	9.30	11.15	8.26	9.91
Commercial Credit	3.17	6.68	8.02	6.02	7.22	5.37	6.44	5.94	7.12	5.35	6.42	4.75	5.70
Corn Products	2.76	2.15	2.58	1.95	2.33	1.72	2.06	1.91	2.29	1.72	2.06	1.53	1.83
Diamond Match	1.62	2.16	2.60	1.96	2.35	1.73	2.08	1.92	2.31	1.73	2.08	1.54	1.85
E. I. duPont	5.59	6.20	7.33	5.57	6.69	4.91	5.88	5.50	6.60	4.96	5.94	4.45	5.34
Eaton Manuf.	5.19	3.38	4.06	3.05	3.66	2.70	3.24	3.00	3.60	2.70	3.24	2.40	2.88
Elect. Auto-Lite	4.06	3.03	3.63	2.73	3.27	2.42	2.91	2.69	3.23	2.42	2.91	2.15	2.58
Endicott Johnson	4.80	2.43	2.91	2.19	2.62	1.91	2.28	2.16	2.59	1.93	2.33	1.73	2.07
Flintkote	1.51	1.35	1.62	1.22	1.46	1.09	1.30	1.20	1.45	1.09	1.30	0.97	1.16
Gen. Amer. Trans.	3.72	4.04	4.85	3.64	4.37	3.23	3.88	3.59	4.31	3.23	3.88	2.88	3.45
General Electric	1.56	1.95	2.33	1.75	2.10	1.56	1.86	1.75	2.29	1.56	1.86	1.40	1.67
General Motors	3.19	4.12	4.95	3.66	4.39	3.30	3.90	3.66	4.40	3.30	3.90	2.94	3.52
Holland Furnace	1.55	1.56	1.87	1.35	1.62	1.25	1.50	1.38	1.66	1.25	1.50	1.10	1.32
Internat. Harvester	4.70	6.73	8.08	6.07	7.37	5.39	6.46	5.98	7.18	5.39	6.46	4.69	5.62
Johns Manville	4.66	5.04	6.05	4.53	5.44	4.03	4.84	4.48	5.37	4.03	4.84	3.58	4.30
Kennecott Copper	4.47	3.80	4.56	3.42	4.10	3.04	3.64	3.38	4.06	3.04	3.64	2.72	3.16
Liggett & Myers "B"	4.68	5.67	6.80	5.10	6.12	4.53	5.44	5.04	6.04	4.53	5.44	4.03	4.83
Loew's	8.23	7.15	8.58	6.44	7.72	5.72	6.85	6.35	7.62	5.72	6.85	5.08	6.09
R. H. Macy	2.52	2.00	2.40	1.80	2.16	1.60	1.92	1.78	2.13	1.60	1.92	1.43	1.71
McGraw Electric	2.11	2.01	2.41	1.81	2.17	1.61	1.93	1.79	2.14	1.61	1.93	1.44	1.72
Minneap-Honeywell	2.41	2.13	2.56	1.93	2.31	1.70	2.05	1.90	2.28	1.70	2.05	1.51	1.81
Mohawk Carpet	2.40	2.08	2.50	1.83	2.25	1.66	2.00	1.84	2.21	1.66	2.00	1.48	1.77
Montgomery Ward	3.65	3.35	4.02	3.02	3.62	2.68	3.21	2.98	3.57	2.68	3.21	2.39	2.86
Nat. Cash Register	2.13	2.15	2.58	1.95	2.33	1.72	2.06	1.91	2.29	1.72	2.06	1.53	1.83
Nat. Dairy Products	2.09	1.41	1.69	1.26	1.52	1.14	1.36	1.26	1.50	1.14	1.36	1.00	1.22
Paramount Pictures	4.05	1.79	2.15	1.62	1.94	1.43	1.72	1.55	1.86	1.40	1.68	1.25	1.49
Pullman	2.85	3.17	3.80	2.85	3.42	2.54	3.04	2.82	3.38	2.54	3.04	2.25	2.70
Radio Corp.	0.51	0.43	0.52	0.39	0.46	0.30	0.42	0.38	0.46	0.30	0.42	0.25	0.30
Sears Roebuck	5.87	5.13	6.16	4.61	5.54	4.11	4.93	4.56	6.37	4.11	4.93	3.65	4.38
Simmons Co.	2.07	2.54	3.05	2.29	2.74	2.03	2.44	2.26	2.71	2.03	2.44	1.81	2.17
Standard Oil (Cal.)	2.78	2.62	3.15	2.37	2.83	2.10	2.52	2.33	2.80	2.10	2.52	1.87	2.24
Standard Oil (N. J.)	4.53	5.14	6.17	4.63	5.55	4.12	4.93	4.57	5.48	4.12	4.93	3.65	4.38
Swift & Co.	2.96	1.39	1.67	1.25	1.50	1.11	1.33	1.23	1.48	1.11	1.33	.099	1.19
Texas Co.	3.83	4.24	5.08	3.81	4.58	3.39	4.07	3.77	4.51	3.39	4.07	2.51	3.01
Underwood-El.	3.38	5.91	7.09	5.32	6.38	4.73	5.67	5.26	6.30	4.73	5.67	4.20	5.04
United Fruit	3.70	3.49	4.19	3.14	3.77	2.80	3.36	3.10	3.72	2.79	3.35	2.48	2.98
U. S. Rubber	5.09	2.29	2.75	2.06	2.47	1.83	2.20	2.03	2.44	1.83	2.20	1.63	1.95
U. S. Steel	4.39	8.54	10.25	7.69	9.23	6.84	8.20	7.43	8.91	6.69	8.02	5.94	7.13
Westinghouse El.	6.97	7.06	8.47	6.35	7.62	5.65	6.78	6.28	7.53	5.65	6.78	5.02	6.03
Woolworth	2.26	2.90	3.46	2.60	3.12	2.31	2.78	2.58	3.09	2.31	2.78	2.06	2.47
Average	3.65	3.65	4.36	3.28	3.91	2.91	3.49	3.24	3.90	2.91	3.49	2.58	3.09

Year X—"A": 50% volume gain over 1937, same profit margin as in 1937.
"B": 50% volume gain over 1937, with profit margin 10% under 1937.
"C": 50% volume gain over 1937, with profit margin 20% under 1937.

Year Y—"D": 33⅓% volume gain over 1937, same profit margin as in 1937.
"E": 33⅓% volume gain over 1937, with profit margin 10% under 1937.
"F": 33⅓% volume gain over 1937, with profit margin 20% under 1937.

THE INVESTMENT CLINIC

What To Do With Laggard Stocks
Hold?—Switch?—Sell?

BY J. S. WILLIAMS

FOR many investors the recent rise in the market does not mean much. Among their holdings—indeed, in some cases making up all their holdings—are stocks that were bought in the past at much higher market levels: perhaps near the highs of 1937; in some instances held stubbornly and sadly since 1929.

Again, many lists submitted to us contain a painful percentage of issues bought more recently for the primary if not sole objective of capital appreciation but which have proved to be "laggards." In periods of strong advance in the averages, these stocks rise but modestly—leaving disappointed owners still "hung up."

Recently there came to the writer's attention one speculative-investment list—more speculative, in truth, than investment—made up of eleven stocks, ten of which were far under purchase prices; six of which not only have lagged on the recent market rise but were also persistently "behind the market" throughout the 1942-1943 recovery. Moreover, quite aside from war-time influences, four of the stocks held—representing 42 per cent of the capital "invested"—had long-term market records demonstrating less than average volatility of price fluctuation and therefore plainly suggesting less than average potential for speculative appreciation.

Of course, I can not in this brief analysis discuss all of the scores of laggard stocks, twenty-five representative examples of which are listed in the accompanying table with their 1937 highs, 1943 highs, this year's highs and recent prices. It can also be readily understood that what might be good advice to one investor might not be the right advice to another investor. Personal circumstances, obligations and objectives must always be taken into account—as is always done by reliable investment counsellors and as obviously can not be done in this article.

For example, a friend of the writer's only a day or two ago asked advice on what to do with Youngstown Sheet & Tube, Simmons Company, Barnsdall Oil and Pittsburgh Screw & Bolt, three of these stocks being in the accompanying table of laggards, as it so happens. But almost immediately in our conversation it developed that in this instance the question of market potentials was largely beside the point. This man had made a binder payment on a contract to purchase a house and was obligated to make full down payment of $2,000 a week hence. To raise the cash he would have to sell his odd-lots of all four stocks.

The question, then, was not one of investment judgment at all but whether in the very short time open to him the market might rally further or react. On that, to be frank, one might almost as well toss a coin. I told him it was foolish to gamble on whether, by waiting a few days, he might realize a little more or a little less—*possibly* importantly less if some unpredictable development gave the market a nasty shock overnight—and that the important thing was assurance of having enough cash to meet his obligation.

I got a letter last week from an old friend. This fine old gentleman is now nearing 80 years of age. He said he had had $3,100 lying idle in the bank for about a year; that, taxes and living costs being what they were, he was reluctant to forego income on it any longer; and that he had been advised to buy some General Motors yielding, when he wrote, about 4.16 per cent and with good promise of a higher dividend sometime after the war. What did I think?

Now I know this situation. There is a wife, some years younger than the husband, but still well along and she will be wholly dependent on his estate. A couple of years ago, when the portfolio was first submitted to my inspection, nearly 70 per cent of the value was in common stocks. I succeeded in inducing a partial revision in the direction of a greater percentage in high-grade, fixed-income securities immune to severe market fluctuations—succeeded only partially because this man, like many, leans to "good" yield. Even now, near the end of life's journey, this portfolio is less than half in high quality, safety first securities. I replied, "Don't buy General Motors; buy Government bonds of relative short maturity; be content with the small yield"—and explained the reasons why.

This example is cited to illustrate the simple fact that a good stock may properly "belong" in some portfolios but not in others—depending on personal circumstances. And because of differing personal circumstances, a conscientious investment adviser might insistently urge the elimination of a decidedly speculative stock from one portfolio but not object if a different type client expressed a personal preference for keeping it.

Similarly, personal situation and proper investment objective must have much to do with decision to continue holding or to dispose of laggard stocks such as are tabulated with this article. Take United States Steel. This is a fine, strong enterprise. The stock is far behind the market and has been throughout the whole recovery since the spring of 1942. Indeed, it can be called within a "depression zone." The reasons for market unpopularity—thoughts of post-war "over-capacity," competition from other materials and a present not too favorable trend of earnings—are too familiar to require discussion. Yet steel is so basic—and cheap—that it must figure prominently in

any period of active post-war production. Therefore, people are over-doing either their present optimism on automobile and building stocks or their present pessimism on steels. Hence, we would not sell United States Steel—if the holder is justified in carrying so speculative—even though sound—an equity. On the other hand, as with all "heavy" steels, the earnings and dividend record was both poor and erratic over the long span between the 1929 crash and the war activity. Where one's situation dictates—or should dictate—conservative emphasis on capital safety, with reasonably secure income return, this stock does not "belong."

In a different class is General Electric. Here is one of the premier corporations of the country, outstanding in research and new product development. It has had great growth over the decades, and many who bought the stock in earlier days have been richly rewarded. But there are nearly 29,000,000 shares of stock outstanding and market movements are usually somewhat on the lethargic side. It is now priced at over 24 times indicated current annual earning power, over 17 times best pre-war earnings of 1937. Indicated dividend yield is about 3.65 per cent. In poor markets (1938 and 1941-1942) it has sold 10 to 16 points under present levels. Hence, whether the objective is capital appreciation or income return, there are more appealing situations, such as are frequently analyzed in the pages of THE MAGAZINE OF WALL STREET but not intended—for the reasons set forth heretofore—as blanket recommendations for all types of readers.

Bear in mind that in "taking losses" in stocks in which you have been hung up, you not only have a chance to improve your position by switching into more promising issues but also to save something on your taxes for the year. The details are a long, and somewhat complicated story. A reliable broker, some one in your local bank or perhaps a lawyer friend versed in tax matters can usually advise you, if the expense of a tax consultant is not warranted and you do not have investment counsel. Suffice it to say that losses may be applied as a partial offset to earned income or income from dividends or interest; or many be used to reduce tax liability on capital gains.

In considering sales and switch purchases, there is always a timing problem involved and not an easy one. It can not be reasonably expected either that sale will be made at the top or purchase at the bottom. Nevertheless the general endeavor should be to sell on market strength, use the cash realized to buy desired issues on the next favorable opportuity provided by market reaction.

In briefly considering individual stocks on this list of laggards, other than those already discussed, let us assume that your personal situation is about as follows (or that, if it isn't you will use your own judgment in deciding whether to follow our advices): You are of middle age, have an upper middle-class earned income, carry as much life insurance as you can afford, own your home, have a wife and two children, neither of the latter yet being on a self-supporting basis. You own securities, aside from War Bonds, representing perhaps somewhere between $5,000 and $25,000 of savings. Your paramount objective is to make money, to build a snug estate for your family—but you also like as much income return as possible from your stocks.

Now, then, run down the list and see how many of these stocks you hold. We will first cite those we think most lacking in attraction.

Pittsburgh Screw & Bolt: The company is an in-and-out earner, with far from impressive per share earnings even in good years. There is no indication of peace-time growth potentials. At 1937 high of 20, with earnings of 84 cents and 65-cent dividend, it was ridiculously overpriced. It is priced now (5½) at over 12 times average 1936-1939 earnings. Stock shows no current indications of being able to rise above 1943 high of 6⅞.

Anaconda Copper: It may be that pessimism on post-war volume and earnings of the copper producers is somewhat overdone but we believe that market recovery for an indefinite time is likely to be both slow and below-average on a percentage basis and stock lacks appeal. However, present technical position is firm; and if there is further market strength this summer, coppers may not unlikely have some kind of a "tail end" move. The same considerations—but more emphatically—apply to Inspiration Copper and Consolidated Coppermines, both being higher-cost producers with a marginal peace-time position.

Boeing Airplane Company: This enterprise has a very unfavorable tax position and thus is handicapped in building up surplus earnings to strengthen financial position for post-war competition. With peace volume a small fraction of what it now is, transition problems are complicated and post-war earnings prospects highly uncertain. In the case of Curtiss-Wright, the large common share capitalization (7,432,000 shares) will make for limited peace-time per share profit potentials. Both stocks appear unattractive holdings.

Electric Boat: Company is primarily dependent on work for the Navy, especially submarines. In peace-time profits per share were always rather small and market potentials well below average. Best past bull market prices (16 in 1937) were not so far above present price. The unimpressive market action now and for some time back appears well-founded.

Erie Railroad: Reorganization greatly strengthened this road's status but the present stock nevertheless remains distinctly in the marginal class and is more likely to show deficits under depressed traffic than are many other rails. Subject to heavy excess profit tax, earnings are far down from war-time *(Please turn to page 322)*

A PARTIAL LIST OF BACKWARD STOCKS

	1937 High	1943 High	1944 High	Recent Price
American Radiator	29½	11⅞	11¼	11
American Smelting	105¾	47⅞	39⅞	38½
Anaconda	69½	31⅞	27½	25½
Blaw-Knox	29⅞	11¼	9⅜	9¼
Barnsdall Oil	35¼	19¼	18⅜	16¾
Bullard Co.	45¼	29¼	20½	17½
Boeing	49¾	21¼	15¾	13¾
Byers, A. M.	33¾	18¼	15⅝	14⅛
Cluett, Peabody	98⅝	40	37¾	37½
Consolidated Copper	11⅝	6¾	4	3⅝
Curtiss-Wright	8⅜	9½	6¼	5
Electric Boat	16	14	12½	12¼
General Electric	64⅞	39⅞	37⅞	37¾
General Baking	19½	9¼	8½	8
Erie	(a)	16¾	13¾	11⅜
Inspiration Copper	33⅛	15⅝	11½	10¾
Mathieson Alkali	41¾	27½	22¼	21
Pittsburgh Screw & Bolt	20	6⅞	5¾	5½
Radio Corp.	12¾	12⅜	10¾	10¾
Southern Rwy	43⅜	30⅜	28¼	24⅞
Standard Brands	65(b)	31⅞	31⅝	30⅞
United Aircraft	35⅛	40	30½	27½
United Air Lines	24⅜	33⅜	27½	27½
U. S. Steel	126½	59⅜	55¼	54¾
Youngstown Sheet & Tube	101⅞	41¼	38¾	38

(a) Road bankrupt in 1937.
(b) Price adjusted to present shares.

Investment Audit of The Clothing Industry

Companies in the Best Position

BY J. C. CLIFFORD

CLOTHING is always in demand, not only because the law requires some of it, but because comfort demands more, and vanity still more. There are periods of poor earnings due to changes in the cost of labor, taxes and economic cycles of depression, but the clothing industry always comes bounding out of them. Sometimes inventory losses hurt income, but this is often quickly followed by increases in inventory values.

The clothing makers and sellers have had good times during the war period, and now that "D" Day has come, the industry is turning its thoughts to the time when the returning members of the armed forces will need new civilian apparel. Meanwhile the general public has more money to spend on clothes than it ever had before and so a long period of active and prosperous trade seems to be ahead.

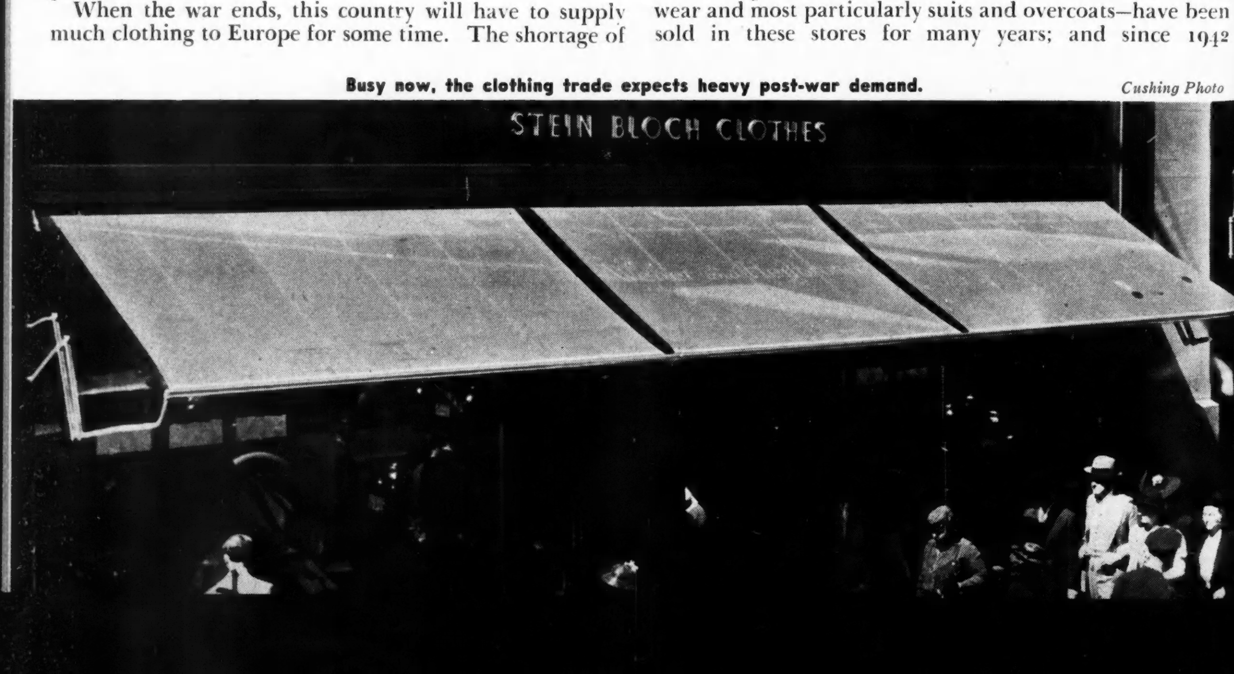
There are no conversion problems to be met in this trade, nor is there likely to be any extensive period of slack business when the war is over, such as may develop in various other lines. During the remainder of the war period it appears to be certain that a ready market will be found for nearly all clothing. Acute shortages exist in some lines, and most especially in cotton goods. There is talk of rationing woolen goods, with a very small supply of woolen cloth indicated for the spring season of 1945, even though there seems to be enough for the next winter season. Government requirements for woolen and worsted cloth have been steadily rising. These shortages might seem to restrict the volume of the trade, but it does not work out that way. Merchants manage to get goods, somehow or other, for their more urgent needs, and then have a quick turnover, with resulting better profits as a rule.

When the war ends, this country will have to supply much clothing to Europe for some time. The shortage of clothing in England has been bad, with reports that "even dukes have to look shabby," but it is as nothing compared to the reported shortages on the Continent. Factories which had formerly turned out textiles and clothing have been converted to making war materials, and a number of them have been destroyed by bombing. The extreme shortages in Europe are in cotton goods, for the raw materials were not available; and next to this in woolens and in shoes.

So, between the free spending of the civilian population in this country which is expected to continue, the needs of the returning members of our armed forces and the export demand for clothing, it would appear that this industry should have a long period of activity and of good profits. This does not mean that if a major reaction should develop in the stock market, the clothing company stocks will be immune to it; but it would furnish a basis for this group of stocks to recover sooner than most and to be in an exceptionally good position to move ahead when a bull market develops.

Probably the companies in the best position to realize a great expansion in their business from these conditions are the men's wear clothing chains which also manufacture garments. There are a number of them, with Bond Stores, Inc., one of the best known. This company operates about sixty stores, located in many states from New England to Texas and California. There are a number of stores in and near New York City and in nearly all of the other largest cities of the country including Boston, Philadelphia, Pittsburgh, Cleveland, Detroit, Chicago, Los Angeles and San Francisco. Large manufacturing plants are located in Rochester, N. Y., and New Brunswick, N. J. Men's wear—shoes, hats, shirts, ties, underwear and most particularly suits and overcoats—have been sold in these stores for many years; and since 1942

Busy now, the clothing trade expects heavy post-war demand. *Cushing Photo*



women's dresses, suits and coats have been added. Bond Stores capitalization consists of $1,400,000 funded debt, 60,000 shares of $100 par 4½% convertible preferred (callable at 110½ and convertible at par for common at $42) and 701,497 shares of $1 par common stock. Earnings on the common have averaged better than $3.50 a share annually for a number of years. The 1944 net was $4.41 a share against $3.76 in 1942. The dividend rate is $2 a share. The stock recently sold at the highest price since this company was formed.

Richman Brothers Co. is in much the same line as Bond Stores, operating 64 stores, mostly through the West but with a few near the Atlantic Seaboard. It has a large factory in Cleveland and another in Lorain, Ohio. The main line carried is lower and medium-priced outer garments for men, but some other accessories are sold, and in the past few years a higher-priced line has been added. Richman Bros. has no bonds or preferred. Its outstanding capital stock consists of 626,673 shares of no par value. The company has had consistent earnings since it started in 1919, succeeding a company of the same name established in 1879. In the past twelve years, net income was above $2 a share in every year but one, and it has averaged above $2.50 a share annually. The 1943 net was $2.55 a share against $2.63 in 1942. Dividends for a long period of years were $3 or more each year, but in 1942 the rate was $2.50 and this was reduced to $2 a share in 1943 and so far in 1944. Richman Bros., and the same applies to Bond Stores, have done a large amount of manufacturing of uniforms and other clothing for the armed forces in the past three years.

STATISTICS ON APPAREL STOCKS

	Per Share Earnings Average 1936-42	Per Share Earnings 1943	Dividends Average 1936-42	Dividends 1943	Net Current Assets*	Net Book Value	Recent Price
Bond Stores	$3.47	$4.44	$1.48	$2.00	$17.67	$24.79	41½
Cluett Peabody	2.82	3.25	1.99	2.00	25.27	20.56	37
Edison Bros. Stores	2.42	2.55	1.28	1.20	15.99	15.78	18½
Endicott Johnson	3.84	7.27Nv	3.00	3.00	73.01	90.66	63
Florsheim Shoe "A"	2.42	2.53Oc	1.89	2.00	33.49	25.56	29
Gotham Hosiery	0.44	1.24	0.04	0.50	6.78	6.63	12½
Hat Corp. "A" and "B"	0.93	0.66Oc	0.52	0.50	8.03	5.93	A7½ B6
Julius Kayser	1.53	2.79Je	1.16	1.00	20.48	29.58	19
Lerner Stores	4.95	5.89Ja	2.21	3.00	16.67	27.48	40
Manhattan Shirt	2.18	2.76Nv	1.08	1.00	31.56	31.60	20½
Melville Shoe	2.81	2.15	2.14	2.00	13.17	7.38	34
Munsingwear	1.65	3.17	1.28	2.00	27.87	36.06	21½
Phillips Jones	0.07	3.20Nv	—	—	35.14	38.77	14
Real Silk Hosiery	def.0.02	3.76	—	—	16.48	21.10	7½
Richman Bros.	2.84	2.55	2.98	2.00	18.11	24.99	35½
Van Raalte	5.68	6.23	2.75	2.50	34.23	42.11	43

*Without allowing for prior securities. Nv—Year to November 30.
Oc—Year to October 31. Je—Year to June 30. Ja—Year to January 31, 1944.

There are a large number of stores, dozens of chains and hundreds of individual stores, which do the major part of their business in women's clothing. The field is too large to attempt to cover it beyond Lerner Stores Corporation, which is one of the outstanding companies engaged nearly entirely in selling feminine apparel. It operates about 180 stores located in 41 states in practically all of the larger cities. There are a number of them in New York City. The company was started in 1918 and reincorporated in 1929. There are small mortgages ahead of the 31,870 shares of $100 par $4.50 preferred stock. Common stock consists of 395,000 no par value shares. For many years, the company has shown good earnings, with over $4 a share in most of them. The 1936-1942 average was $4.95. In 1943, the company reported $5.89 a share against $4.88 in 1942. Dividends of $2 a share annually, or better, have been paid for a long time with $3 in 1943.

The shoe manufacturers and shoe stores seem certain to have excellent business, until such time after the war as foreign countries may be able to ship their cheaply-made shoes to our market. For a year or so after the war we will probably be exporters of shoes to Europe to replenish the exhausted supplies there, and it may be several years before any substantial imports will develop. Endicott Johnson Corporation is the leading maker of some of the lower-priced shoes, also having a very large business in rubber soles and rubber heels. It operates a number of its own retail stores and also sells to numerous other retailers. The capitalization consists of 72,240 shares of $100 par 4% preferred stock and 405,360 shares of $50 par common. The preferred was exchanged about six months ago on a share for share basis for a former 5% preferred. With the exception of 1938, the company has had earnings of better than $2.50 a share in each year for a long period, while in recent years, income has been at a very high rate. This has been partly due to Government orders. The 1943 net was $7.27 a share against $6.74 in 1942. The dividend rate has been $3 a share for a long period of years.

Florsheim Shoe Company makes men's and women's shoes and retails them, in part, in its own stores. The capitalization consists of 236,293 shares of Class "A" and 327,414 shares of Class "B" stocks, both of no par. The "A" gets double any dividend paid on the "B" and in liquidation, two-thirds of the assets would go to the "A." The "B" can be converted into "A" on a basis of two "B" for one "A." Earnings on the "A" have been above $2 a share for most years for a long period, with $2.53 in 1943 (fiscal year) against $2.58 the year before. The dividend rate has been $2 a share or more, in most years in the past ten.

Melville Shoe Corporation seems to have been more affected by rationing of shoes in the past year than some others in this field. It manufactures shoes of medium to lower prices. The company owns the Thom McAn Shoe Co., which operates over 500 stores selling shoes and hosiery, also the John Ward Men's Shoes, Inc., as well as some other retailing concerns. Melville has no funded debt. There are 92,161 shares of $100 par 5% preferred (convertible per share into three shares of common until the end of 1944), and 927,162 shares of $1 par common. Earnings on the present common stock have been above $1.75 a share annually for a long period of years, and often were above $2.50. In 1943, net was $2.15 a share against $2.56 in 1942. The dividend rate of $2 a share in the past three years is under that of many previous years.

All of the above three shoe companies are more in men's than in women's footwear. Edison Brothers Stores, Inc., is one of the largest chain stores operating in women's shoes, with over 160 stores in nearly 100 cities in 33 states. It also handles retailing of hosiery, handbags and other small items. The company has $2,000,000 funded debt, 30,000 shares of $50 par 5% preferred and 384,781 shares of $2 par common. The earnings have been above $2 a share for most years in the past ten. The 1943 net was $2.55 a share on the common against $2.86 in 1942. Dividends of $1.20 in 1943 were a moderate reduction from preceding years.

There are a number of hosiery makers, of which the most prominent are Julius Kayser & Co., Van Raalte Co., Real Silk Hosiery Mills and Gotham Hosiery Co. The first two are also important makers of ladies' underwear and gloves. This business has weathered a crisis in good shape, with several changes in raw materials developing in the past few years. All four had been extensive users of silk for hosiery and other products, then took up nylons or rayons, and more recently have had to use more cotton yarns than formerly. The very large demand for their products, with millions of women having more money for clothes in the past few years than formerly, has resulted in large profits, even with this shifting from one kind of yarn to another in their products. Several of these companies have also made a large number of ar cles for the Government. When silk and nylons are again available, it is expected that this branch of the clothing industry will have very good business and profits, for it is believed that women will turn to nylon and silk hosiery and underwear for an extensive replacement of their present supplies of rayon and cotton articles.

A strand from one of these hanks of Du Pont nylon is many times the diameter of fine yarn

Van Raalte has not shown under $4 a share on it common stock in any year since 1934, with above $6 a share in four out of five years since 1938. Dividends have been $2 to $3.50 a share each year since 1935. The company is not only in ladies' hosiery, gloves and underwear but also makes special kinds of cloth, and veiling. It has a small issue of 7% preferred ahead of the 129,281 shares of $5 par value common.

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Gotham Hosiery Co. earnings in the past three years have averaged above $1.40 a share, following two years of small deficits, and average earnings of under 40 cents a share in preceding years. The improvement is partly due to better merchandising. The company is almost entirely a maker of women's hosiery, sold under well-advertised trade names. The capitalization consists of 16,036 shares of $100 par 7% preferred and 395,074 shares of no par common. After a lapse of many years, dividends were resumed in 1942, with 25 cents a share that year and 50 cents was paid in 1943.

While Gotham dropped the word "Silk" from its title, Real Silk Hosiery Mills, Inc., has retained it, even though there is no silk for its products. The company is one of the largest makers of men's and women's hosiery, now largely using rayon or cotton. It is also in various smaller articles for women, including underwear. Real Silk has a small issue of preferred stock ahead of the 178,044 shares of $5 par common. Earnings have shown sharp changes in recent years. After very large profits in the late 1920's deficits were shown in the early 1930's. After a loss of $2.83 a share in 1934, a profit of $1.28 was reported in 1935, then only 11 cents in 1936 and a deficit of 33 cents in 1937. Minor profits in 1938 and 1939 were followed by $2.53 a share deficit in 1940, a profit of $2.12 a share is 1941, a deficit of 30 cents in 1942 and a profit of $3.76 a share in 1943. That is an unusual series of changes from good to bad. The company has been extensively engaged in war work in the past two years, which partly accounts for the latest improved earnings figures. No dividends have been paid on the common in many years, and there are still some arrears on the preferred, which may be cleared up before the year ends, as $14.25 a share has been so paid in the past seven months. About $6 a share is still accrued on the preferred.

Of many hundreds of companies making men's shirts, the three best known are Cluett, Peabody & Co., Manhattan Shirt Co. and Phillips-Jones Corp. These three are expected to have an enormous amount of business for the service men when they return to civilian life. Meanwhile this business has been active for several years, partly reflecting the cutting off of foreign shirting fabrics since the war started and boomed by high consumer income.

Cluett, Peabody "Arrow" shirts account for over 70% of the total business of this company, with the rest divided between collars, underwear, pajamas, handkerchiefs and ties for men. The company owns the "Sanforized" shrinking process patents, (*Please turn to page* 317)

Changing Trends in Ownership of Bank Deposits

BY HENRY L. BLACKBURN

THE topping out of war production apparent since last autumn is being reflected in an unexpected quarter. The growth of business deposits which, by virtually doubling between 1941 and 1943, constituted one of the financial phenomena of the war, has begun to slacken and early this year seems to have slowed to a virtual standstill. While significant, this is not particularly surprising. With war production holding just below last year's peak and in the aggregate not likely to repeat or exceed that top, there is no longer any need for much additional working capital among war-active industries.

Most concerns now have working funds fully adequate to finance current operations and hence there is no compelling reason for accumulating further cash balances. Rather, they prefer to invest surplus funds in Government securities. Though earnings continue at good levels, there is no marked tendency, if any at all, towards more liberal dividend disbursements. With an eye to reconversion and transition, financial policies remain predominantly conservative and the portion of income retained is flowing into short-term investments rather than into deposit accounts.

This, from any point of view, is a desirable development since no useful purpose would be served by further ballooning our already greatly swollen money supply. But in contrast to business policies, demand deposits belonging to individuals continue to rise with many people seemingly preferring ready cash to Government securities. To overcome this preference for cash may be the chief problem of future war loan drives though there are no doubt good reasons for this trend. Increasing spottiness of employment and growing belief that the beginning of reconversion, with all its uncertainties for the individual, is close at hand, are probably powerful incentives for many wage earners to keep their resources as liquid as possible. Moreover, wages kept rising, though by no means uniformly, and agricultural income is holding around record levels, with a corresponding gain in aggregate income.

ESTIMATED OWNERSHIP OF DEMAND DEPOSITS AT ALL BANKS*

($ billions)

Type of Depositor	Amounts held Febr. 1944	July 1943	Changes
Domestic Business-total......	$36.5	$36.8	—0.3
Non-Financial Business-total..	30.9	31.0	—0.1
Manuftg. & Mining.......	16.2	16.4	—0.2
Public Utilities...........	3.7	3.7	——
Trade...................	7.9	7.7	+0.2
Other non-financial.......	3.2	3.2	——
Financial Business-total	5.6	5.8	—0.2
Personal..................	18.2	16.4	+1.8
Non-Profit Institutions.......	1.5	1.4	+0.1
Foreign..................	0.9	0.9	——
TOTAL DEMAND DEPOSITS of individuals, partnerships and corporations..................	57.1	55.6	+1.5

*Source: Fed. Res. Board.

From a broad economic viewpoint, the coincidence of further mounting individual demand deposits in the face of cessation of growth or even decline of business deposits tends to re-emphasize the need for continued effective price control since further growth of the money supply centering on individual deposits is unquestionably a greater inflationary potential than were it centered on business cash. The latter at any rate could not become an immediate inflationary factor, what with production and capital expansion tightly governed or limited by existing controls. Demand deposits of course are only part of the liquid assets in the hands of the public but next to cash, they are the most volatile from a spending viewpoint.

The Federal Reserve Board in a recent revised estimate of ownership of demand deposits finds that domestic business owns about 64% of all such deposits, to be exact, $36.5 billion out of a total of $57.1 billion held by all types of depositors at the end of February this year. While total deposits since July 1943 increased $1.5 billion, those of domestic business actually decreased $0.3 billion, diverging for the first time from the steep and general uptrend that occurred since the war. On the other hand, individual demand deposits rose by $1.8 billion to $18.2 billion during this seven months span, or from 29% to 32% of the grand total.

Of the $36.5 billion business deposits, $30.9 billion belonged to non-financial business, the remainder of $5.6 billion to financial business, that is banks, insurance companies, etc. The latter, too, declined since last July by an estimated $200 million.

Of non-financial business deposits, the bulk of $16.2 billion was owned by manufacturing and mining industries, or $200 million less than in July 1943. Deposits of public utilities remained stationary at $3.7 billion. On the other hand, deposits of trade corporations rose from $7.7 billion to $7.9 billion, presumably reflecting liquidation of inventories and inability to augment or replace them adequately.

All these figures naturally can be no more than rough estimates but on basis of past experience, they are sufficiently accurate to point out basic trends and changes in relationships. As yet, the trend reversal observed in business deposits is by no means greatly important though the implication of a turning point is highly significant. So far, the reversal, amounting as it does to only $300 million, may perhaps largely have been due to seasonal or technical factors, thus we must look to future data for a clear-cut confirmation. But the striking fact remains that individual demand *(Please turn to page 318)*

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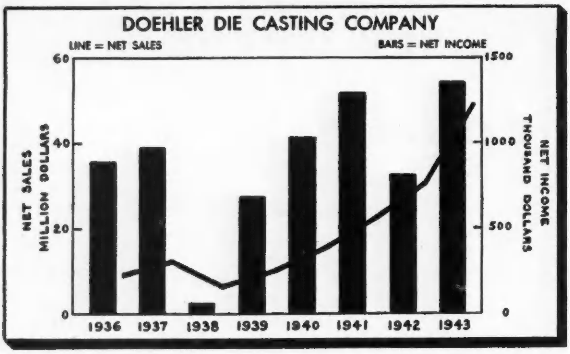
6 Growth Companies For Speculative-Investment



BUSINESS: This is the world's largest independent die casting enterprise, usually handling about 50% of the domestic work done by independent concerns. The automobile industry is the largest single customer, normally accounting for roughly two-fifths of total sales. Non-automotive activities more recently contributed about 60% of sales, reflecting steady expansion in varied fields. Household appliance makers provided about 20% of recent pre-war volume, with the electric instrument, store and office equipment industries providing the balance. Aeronautical equipment and other war items are presently of major importance.

OUTLOOK: The use of die castings for numerous industrial purposes has increased steadily in the past, and with restoration of peace, this trend should continue. Through its war-time activities, the company has developed several new processes with good post-war possibilities, and a canvass has disclosed an enormous pent-up demand by civilian industries. Reconversion problems are virtually non-existent, and the expected post-war boom in consumer durable goods should particularly benefit Doehler. Company is setting post-war sights on annual volume of $25 to $30 million compared with $22 million in 1941, when net came to $4.37 per share

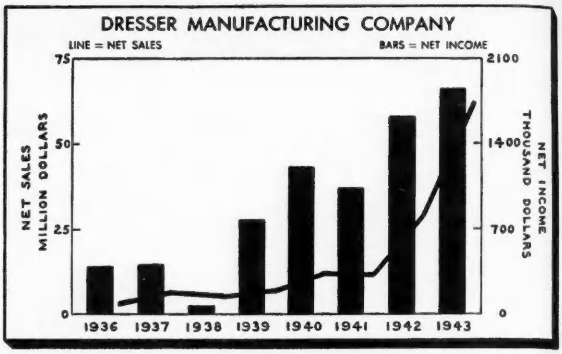
COMMENT: Unfilled orders should suffice to maintain peak operations for some months and further production gains are indicated though margins may contract somewhat. 1944 earnings should compare favorably with last year's $4.55 per share. Past earnings were good but dividends conservative, resulting in considerable strengthening of working capital since 1938. War-time expansion was financed without recourse to bank loans or Govt. credit, but a V-loan was recently negotiated to bolster working capital.

MARKET ACTION: Recent price—39¾; year's high, 41¼; previous high, 46¾ in 1937. Earlier highly volatile due to cyclical factors, the stock more recently fluctuated below average, reflecting excellent earnings and the stabilizing effect of mounting diversification of outlets.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	1943	Change
ASSETS			
Cash	0.264	5.776	+5.512
Marketable securities	—	—	—
Receivables, net	0.850	3.482	+2.632
Inventories, net	0.734	2.260	+1.526
Other current assets	—	—	—
TOTAL CURRENT ASSETS	1.848	11.518	+9.670
Plant and equipment	4.842	6.690	+1.848
Less depreciation	1.383	2.664	+1.281
Net property	3.459	4.026	+0.567
Other assets	0.670	1.646	+0.976
TOTAL ASSETS	5.977	17.190	+11.213
LIABILITIES			
V loan payable	—	3.500	+3.500
Accts. payable and accruals	0.814	3.285	+2.471
Reserves for taxes	0.143	1.104	+0.961
Other current liabilities	—	0.757	+0.757
TOTAL CURRENT LIABILITIES	0.957	8.646	+7.689
Long term debt	—	—	—
Reserves	—	1.157	+1.157
Capital	0.916	2.971	+2.055
Surplus	4.104	4.416	+0.312
TOTAL LIABILITIES	5.977	17.190	+11.213
WORKING CAPITAL	0.891	2.872	+1.981
Current Ratio	1.9	1.3	—0.6

Thumbnail Stock Appraisal



BUSINESS: This greatly diversified enterprise with its six manufacturing divisions produces a comprehensive line of pipe couplings, clamps, sleeves, fittings and other pipe accessories used principally in the construction, operation and maintenance of gas, oil and water pipe lines. Also gas-fired heating and air-conditioning equipment, gas and steam-driven engines, compressors for the oil industry and a varied line of pumps. Of the wholly owned subsidiaries, operating as independent divisions under the general name of Dresser Industries, the best known are Bryant Heater Co., Clark Bros. and the Pacific Pump works. About 65% of current production is on war orders.

OUTLOOK: Company's expansion in the oil well supply and space heating fields in recent pre-war years has been quite successful and this trend is expected to continue, imparting exceptional post-war prospects. Moreover, unusual product diversity is protection against cyclical influences characteristic of some of the company's lines. Oil well supply demand presently is expanding and should continue good for quite some time after the war; fairly important foreign business may be in the offing.

COMMENT: Earnings for fiscal year ending Oct. 31, 1944, may decline moderately from the $5.53 per share netted in preceding year, in line with somewhat reduced sales due to cutbacks of war orders but increased civilian business should eventually take up the slack. Finances are sound and working funds adequate, replenished by bank loans and V-loan arrangements totalling some $9 million, bulk whereof is included in current liabilities. No other obligations precede the relatively small common stock issue.

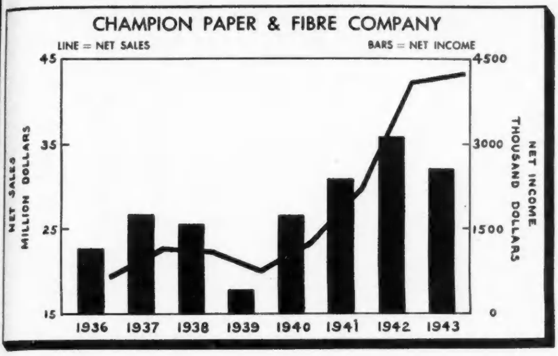
MARKET ACTION: Recent price—33; year's high, 34½; 1943 high, 35½; book value, $28.90 per share. Past fluctuations of the stock were above average, reflecting cyclical influences inherent in company's operations.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	1943	Change
ASSETS			
Cash	0.515	8.420	+7.905
U. S. Tax Notes	—	0.402	+0.402
Receivables, net	1.282	4.668	+3.386
Inventories, net	1.485	6.721	+5.236
Other current assets	—	0.357	+0.357
TOTAL CURRENT ASSETS	3.282	20.568	+17.286
Plant and equipment	4.139	7.595	+3.456
Less depreciation	1.997	4.277	+2.280
Net property	2.142	3.318	+1.176
Other assets	0.462	1.582	+1.120
TOTAL ASSETS	5.886	25.468	+19.582
LIABILITIES			
Notes payable	—	8.650	+8.650
Accts. payable and accruals	0.760	4.049	+3.289
Reserves for taxes	0.183	2.400	+2.217
Other current liabilities	—	0.236	+0.236
TOTAL CURRENT LIABILITIES	0.943	15.335	+14.392
Long term debt	—	0.450	+0.450
Reserves	0.100	—	—0.100
Capital	3.000	3.350	+0.350
Surplus	1.843	6.333	+4.490
TOTAL LIABILITIES	5.886	25.468	+19.582
WORKING CAPITAL	2.339	5.233	+2.894
Current Ratio	3.4	1.3	—2.1

Thumbnail Stock Appraisal

6 Growth Companies For Speculative-Investment



BUSINESS: Company is largest domestic manufacturer of white and book papers, also one of the leading producers of coated and uncoated papers, various types of cardboard and specialty board stock such as used in the manufacture of playing cards, file folders, shipping tags, milk containers, etc. Pulp requirements are manufactured in company's own plants with normally a small surplus for outside sale. Company has developed a process for conversion of low-cost southern pine into long-fiber sulphate pulp suitable for manufacture of high-grade paper products. Its paper mills have an annual capacity of 270,000 tons. A new $4 million mill was opened in 1940 and bulk of its output is supplied to Time, Inc., under a 5-year contract. Other large customers include "Life" and "Fortune" magazines, and American Can Co. which obtains from Champion a substantial portion of its milk container paper requirements.

OUTLOOK: Champion is a progressive unit in an industry with marked growth tendencies. Because of its strong position in the more stable book paper division, both sales and prices are much less erratic than those of the paper industry as a whole. Integration of operations and additions to manufacturing facilities in recent years have created a basis for better than average long term results. Despite curtailment in the use of book and magazine paper, over-all volume was fairly well maintained due to increased pulp sales but higher labor and materials costs tend to narrow profit margins.

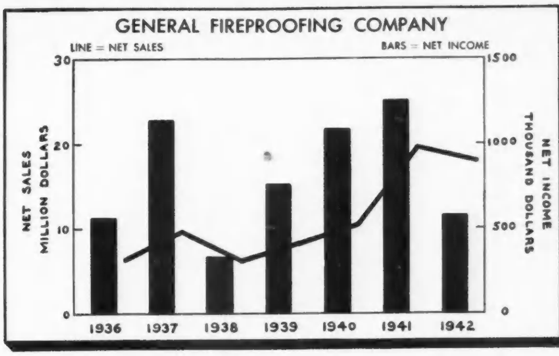
COMMENT: 1944 net should about equal the $2.50 per share estimated for the year ended April 30, 1944, and maintenance of the $1 dividend seems assured. Heavy plant expenditures in recent years cut into cash and led to bond and stock financing. Late in 1942, $11 million 3¾% bonds were privately placed, proceeds being used to refund $8 million 4¾% bonds and to increase working capital. In March, 1944, additional 25,507 shares 6% preferred stock were sold to further bolster working funds and defray future capital expenditures.

MARKET ACTION: Recent price—25 compared with year's high of 27⅞ and book value of $38 per share. Past market action displayed somewhat above average volatility in line with fluctuating earnings.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	1943	Change
ASSETS			
Cash	0.873	8.327	+7.454
Receivables, net	2.491	4.204	+1.713
Inventories, net	5.606	6.828	+1.222
Other current assets	0.011	0.894	+0.883
TOTAL CURRENT ASSETS	8.981	20.253	+11.272
Plant and equipment	39.090	44.052	+4.962
Less depreciation	15.597	19.299	+3.702
Net property	23.493	24.753	+1.260
Other assets	2.683	1.970	—0.713
TOTAL ASSETS	35.157	46.976	+11.819
LIABILITIES			
Notes payable	0.065	0.060	—0.005
Accts. payable and accruals	1.334	2.770	+1.436
Reserves for taxes	0.463	0.788	+0.325
Other current liabilities	—	—	—
TOTAL CURRENT LIABILITIES	1.862	3.618	+1.756
Minority Interest	—	0.076	+0.076
Long term debt	9.921	11.455	+1.534
Reserves	0.013	1.552	+1.539
Capital	15.620	16.807	+1.187
Surplus	7.741	13.468	+5.727
TOTAL LIABILITIES	35.157	46.976	+11.819
WORKING CAPITAL	7.119	16.635	+9.516
Current Ratio	4.8	5.6	+0.8

Thumbnail Stock Appraisal



BUSINESS: Company is the world's largest manufacturer of metal furniture and equipment, such as steel desks and filing, storage and display equipment. Products also include safes, tables, storage cabinets, shelving, bank, library, hospital and public building equipment, aluminum chairs, filing supplies, store fixtures, bookcases and office accessories. Steel desks are normally the most important volume item, accounting for about 60% of sales, followed by aluminum chairs at 30% of the total. The latter, due to their light weight, found wide acceptance in restaurants, hotels, institutions, as well as in transportation equipment. Chief customers are banks, office buildings, department and chain stores, railroads, utilities, Government departments and insurance companies. Since curbs on metal furniture output imposed in 1942, plant was devoted almost entirely to munitions though filing systems and accessories continue to be manufactured.

OUTLOOK: Company should fare reasonably well during the war with near term earnings at the rate of estimated 1943 net of about $2 per share. Any drop in munitions output is likely to be offset by increased regular production. Long-range outlook is favorable with ultimate sales potentials not yet fully exploited. Cheaper aluminum especially should permit marked expansion in aluminum furniture lines after the war. Good cost control tends to reduce the effect of competitive factors, normally keen.

COMMENT: Finances were greatly improved since 1934 and presently are fully adequate. Long-term debt has been eliminated and only 7,521 preferred shares are now ahead of the relatively small common stock issue of 321,682 shares. Working capital of $4.98 million exceeds current liabilities of $3.51 million and cash position is strong. Book value is about $20 per share. Maintenance of $1.25 dividend seems assured.

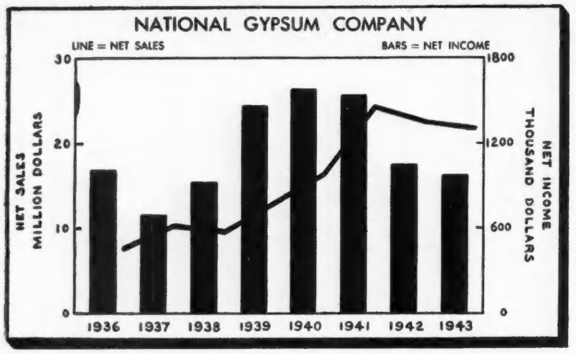
MARKET ACTION: Recent price—16⅞ against the year's high of 17 5/7 and 1943 peak of 16⅝. Past volatility was about average despite the stock's relatively thin market on the N. Y. Curb Exchange.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	1942 (latest available)	Change
ASSETS			
Cash	0.498	1.208	+0.710
U. S. Gov't securities	—	2.040	+2.040
Receivables, net	1.389	2.448	+1.059
Inventories, net	1.946	2.768	+0.822
Other current assets	—	0.030	+0.030
TOTAL CURRENT ASSETS	3.833	8.494	+4.661
Plant and equipment	4.046	3.661	—0.385
Less depreciation	1.944	1.945	+0.001
Net property	2.102	1.716	—0.386
Other assets	0.244	0.510	+0.266
TOTAL ASSETS	6.179	10.720	+4.541
LIABILITIES			
Accts. payable and accruals	0.558	3.385	+2.827
Reserves for taxes	0.218	0.128	—0.090
Other current liabilities	—	—	—
TOTAL CURRENT LIABILITIES	0.776	3.513	+2.737
Deferred liabs	0.033	—	—0.033
Long term debt	—	—	—
Reserves	0.026	0.600	+0.574
Capital	2.209	2.262	+0.053
Surplus	3.135	4.345	+1.210
TOTAL LIABILITIES	6.179	10.720	+4.541
WORKING CAPITAL	3.057	4.981	+1.924
Current Ratio	4.9	2.4	—2.5

Thumbnail Stock Appraisal

6 Growth Companies For Speculative-Investment



BUSINESS: Expanding principally through acquisition of other concerns in the field, this company in comparatively recent years has become the second largest producer of gypsum building materials, making over 140 related building and insulation products having gypsum as a base. Lines for the construction trade include wallboard, plaster, lime, lath, insulation materials, gypsum blocks and a variety of miscellaneous products. While the greater part of output is consumed by the building industry, some products have special industrial, agricultural and chemical uses for which they are sold in bulk. Distribution through retail dealers is on a broad scale. Properties include ten gypsum plants, three lime plants, a metal lath plant, insulation board plant, paper plant and several rockwool plants. Gypsum properties are estimated to contain some 97 million tons of recoverable gypsum, about two-thirds located in the U. S., one-third in Canada.

OUTLOOK: Company's aggressive management, even under present unfavorable building conditions, has been maintaining good volume and after the war promises to obtain an increasingly larger share of available business which should be very substantial in view of the expected building boom. Past growth has been outstanding, and ownership of large reserves of gypsum and limestone gives the company a fair degree of cost control. While competition is keen, prices in peace-time have been maintained at profitable levels with earnings thus depending largely on volume.

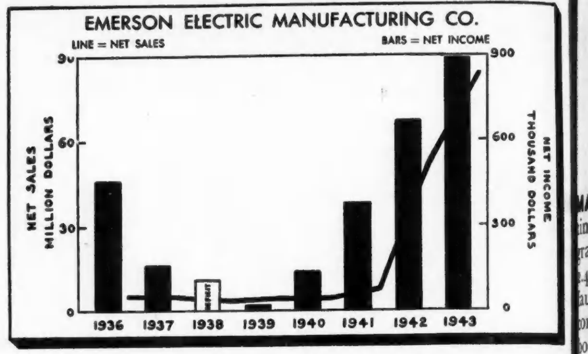
COMMENT: Management is getting ready to handle at least 10% of the $5 billion it estimates will be spent for building materials in the first post-war decade. Government requirements for gypsum presently are tapering off rapidly but other demands continue heavy. Still, 1944 net may decline moderately from the 50c earned last year. The 25c dividend appears safe. Finances are adequate with working capital of $7.69 million far exceeding current liabilities of $2.61 million. Funded debt of $5.73 million and 64,980 preferred shares preceding the common tend to emphasize the speculative character of the latter.

MARKET ACTION: Recent price—11, against the year's high of 11¾ and 1937 high of 18⅛. Past volatility was above average, reflecting the pronounced cyclical character of the building industry.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	1943	Change
ASSETS			
Cash	2.091	1.112	—0.979
U. S. Gov't securities	—	3.109	+3.109
Receivables, net	2.008	2.230	+0.222
Inventories, net	2.412	2.948	+0.536
U. S. tax notes	—	0.909	+0.909
TOTAL CURRENT ASSETS	6.511	10.308	+3.797
Plant and equipment	13.156	15.394	+2.238
Less depreciation	1.759	4.322	+2.563
Net property	11.397	11.072	—0.325
Other assets	0.968	4.166	+3.198
TOTAL ASSETS	18.876	25.546	+6.670
LIABILITIES			
Accts. payable and accruals	0.634	0.737	+0.103
Reserves for taxes	0.272	1.527	+1.255
Other current liabilities	0.423	0.349	—0.074
TOTAL CURRENT LIABILITIES	1.329	2.613	+1.284
Deferred liabs	—	1.141	+1.141
Long term debt	4.805	5.731	+0.926
Reserves	0.042	0.266	+0.224
Capital	7.262	7.856	+0.594
Surplus	5.438	7.939	+2.501
TOTAL LIABILITIES	18.876	25.546	+6.670
WORKING CAPITAL	5.182	7.695	+2.513
Current Ratio	4.9	3.9	—1.0

Thumbnail Stock Appraisal



BUSINESS: This company, a pioneer in the electrical field, makes power motors for home appliances and commercial and industrial equipment; electric fans in a variety of models, sizes and types for industrial, commercial, marine and household use, and arc welders for industrial and commercial service, adaptable to all types of metal fabricating work. Motors are produced on a volume basis for washing machines, ironers, refrigerators, oil burners, air conditioning equipment, business machines, dairy and farm equipment, machine tools, car heaters and other appliances. Since 1943, company is fully engaged in war work, operating four leased plants in addition to basic facilities, and apart from regular lines has become the leading manufacturer of airplane gun turrets.

OUTLOOK: Under the spur of heavy war orders, company set progressive sales records with 1943 volume over $83 million, or 22 times the 1939 figure. Capacity operations should continue for the duration. Post-war outlook is promising in view of the ever-widening market for the company's products, the bulk of which goes to consumer durable goods industries with large deferred demand. Management has recently been revitalized. Company reports that an extraordinary large amount of peace-time business has already been booked. Large post-war volume business for fractional horse power motors is anticipated.

COMMENT: Finances in recent years improved considerably with working capital currently about $3.27 million against $2.06 million a year ago. The 500,000 shares common stock issue is preceded by a small mortgage and 20,000 7% preferred shares. Pre-war earnings were small but since 1941 improved progressively with $2.01 per share earned in 1943. 50c dividend was paid last year and 15c for the first quarter 1944.

MARKET ACTION: Recent price—12½, highest since its listing on the N. Y. Curb Exchange in 1940. Book value is $9.20 per share. Past volatility was somewhat above average but stock enjoyed notable strength in recent unsettled markets.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

	1939	1943	Change
ASSETS			
Cash	0.091	0.779	+0.688
U. S. Gov't securities	—	0.120	+0.120
Receivables, net	0.519	2.178	+1.659
Inventories, net	1.394	1.689	+0.295
Other current assets	0.013	—	—0.013
TOTAL CURRENT ASSETS	2.017	4.766	+2.749
Plant and equipment	2.961	3.030	+0.069
Less depreciation	1.661	1.801	+0.140
Net property	1.300	1.229	—0.071
Other assets	0.070	22.029*	+21.959
TOTAL ASSETS	3.387	28.024	+24.637
LIABILITIES			
Mtge. payable	—	0.083	+0.083
Accts. payable and accruals	0.227	1.405	+1.178
Reserves for taxes	0.003	—**	—0.003
TOTAL CURRENT LIABILITIES	0.230	1.488	+1.258
Gov't acct's contra	—	21.728	+21.728
Long term debt	—	0.086	+0.086
Reserves	0.029	—	—0.029
Capital	2.434	2.552	+0.118
Surplus	0.694	2.170	+1.476
TOTAL LIABILITIES	3.387	28.024	+24.637
WORKING CAPITAL	1.787	3.278	+1.491
Current Ratio	8.7	3.2	—5.5

*Includes gov. accts., contra.—21.728.
**None, because of deduction of U. S. tax notes—2.648

Thumbnail Stock Appraisal

Opportunities For Income and Appreciation In Bonds and Preferred Stocks

BY JACKSON D. NORWOOD

MARKET TRENDS: The week of the invasion of Continental Europe witnessed a general decline in second grade railroad bonds, the Dow-Jones average being off .42, while average for 40 bonds was off .97 and defaulted rails 1.68. In our May 27th issue this column, commenting on medium grade and speculative railroad bonds, stated: "While it would be purely conjectural to attempt to predict how high bonds in this category may go, a conservative procedure would be to accept some profits at this level and reinvest proceeds in issues carrying a better investment rating and with stronger defensive characteristics. New commitments could be made on a modest scale with the idea of investing the entire proceeds gradually. This would afford a cash reserve to use in the event that reactionary tendencies in the bond market were to persist until the serious war uncertainties are dissipated."

Readers who followed this advice are in a strategic position to take action when the time appears propitious to do so. But until the invasion trend is more clearly defined, one should proceed with circumspection and await further developments abroad. What may be lost in income is reasonable insurance on one's capital, especially where the latter has been allocated to bonds of low investment rating. The invasion opened with many foreign bonds of the occupied countries registering new highs for the last four years. When these countries are liberated holders of these bonds will have a clearer picture of what has been a drab outlook for some time.

R. H. MACY'S PREFERRED STOCK: Stockholders approved the creation of 500,000 shares of $100 par value preferred stock carrying a dividend rate of $4.25 per year and redeemable at 107½. 165,600 shares of the new preferred to be called Series "A" is to be distributed as a stock dividend to holders of common stock, in the ratio of one share for each ten shares of common outstanding. The par value of the latter is to be reduced to $15 from $25. The balance of the authorized preferred is to be reserved for issuance in the future "for money or property." The new preferred is selling on a "when issued" basis at $105.75 and yields about 4%.

TABLE 1

FIVE PREFERRED STOCKS FOR INCOME:

	Recent Price	Current Yield	Call Price
Consolidated Edison $5 cumulative preferred........	104	4.81%	105
Wilson & Company $6 cumulative preferred.........	88	6.82%	100
Republic Steel $6 cumulative prior preferred.........	93	6.45%	110
American Crystal Sugar $5 cumulative preferred.....	103	4.85%	105
Bucyrus Erie $7 cumulative preferred...............	118	5.93%	120

Ten shares of each would cost approximately $5,060 and give an indicated income yield of 5.73%. The last three shown are legal for trust funds in the State of New Jersey. Wilson & Co. has averaged in the last three years over $22 per share on its preferred stock. It has paid up all arrearages and prospects in post-war period are favorable. Funded debt has been reduced over a period of years from $55,000,000 to $19,000,000, thereby increasing the equity of the preferred stock. This stock and Republic Steel prior preferred also appear good for further appreciation in market value.

IDAHO POWER CO. ($7 and $6 Preferred shares): Under the proposed exchange offer, present preferred stockholders have the choice of accepting the redemption price of $110 a share for their stock or of taking in exchange an equal number of 4% shares, plus cash payment both of the regular quarterly dividend and of the difference existing between redemption price of the old and the offering price of the new stock. Plan is to be voted on June 23rd and new stock is to be ready for distribution on August 1st.

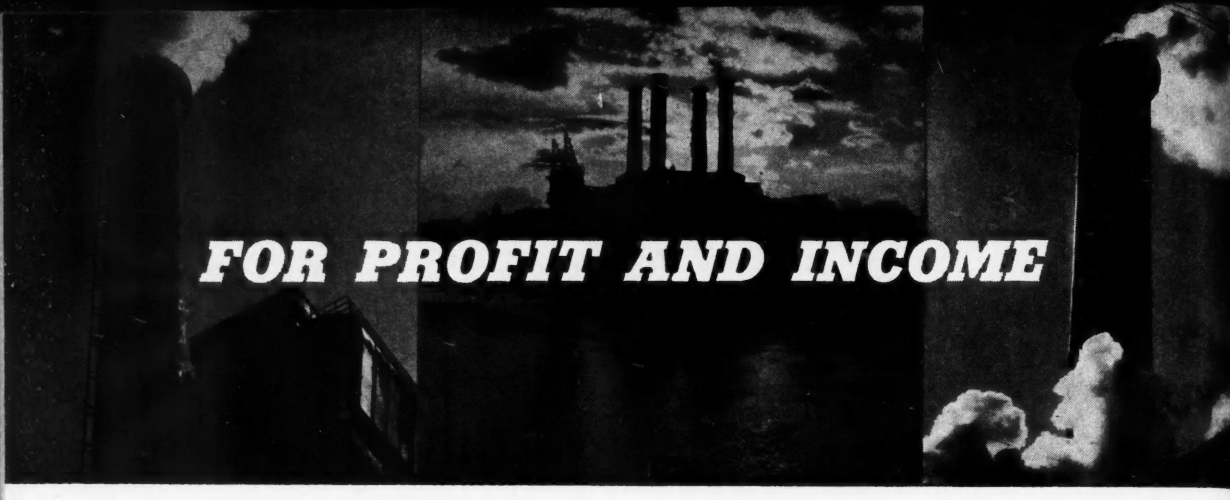
TABLE 2

RECENT BONDS AND PREFERRED STOCKS CALLED FOR REDEMPTION:

Bonds Company	Amount Called	Call Price	Redemption Date
N. Y. Power & Light Co. 3¾%....................	$6,600,000	107¼	July 1
General Steel Castings 1st "A" 5½% 1949........	1,100,000	103½	July 1
Mississippi River Power 1st 5% 1951............	entire issue	105	July 1
New York & Westchester Deb.5% 1954...........	entire issue	110	July 1
North Texas Co. 1st Coll. Inc. 3–6%, 1957...........	entire issue	100	July 1
Virginia Public Service 1st 3–¼'s 1972...........	entire issue	111⅛	June 26
Virginia Public Service S. F. Deb. 1957...........	entire issue	104½	June 26
Bangor Hydro Electric Co. 3¾'s 1966............	$1,108,000	107½	July 1
Youngstown Sheet & Tube Deb. 4s 1948..........	entire issue	101	July 1
West Penn Power Co. 1st 5s 1963...............	entire issue	105	Sept. 1
Inspiration Cons. Copper 1st 4s 1952...........	entire issue	102	July 1
PREFERRED STOCKS			
Rochester Gas & Electric 6% preferred Ser. "D".....	40,000 shs	105	Sept. 1
Autocar Co. $3 preferred..........................	entire issue	115	July 1
Webster Eisenlohr Inc. 7% preferred...............	entire issue	115	Aug. 1
Century Ribbon Mills 7% preferred..............	entire issue	115	Sept. 1
Harvill Corp. 6% preferred......................	entire issue	100	Oct. 1
Cuban American Sugar Co. 5½% preferred.........	entire issue	115	June 30

READING COMPANY: This company in 1943 reduced its funded debt and equipment obligations by the sum of $8,083,418, thereby cutting the annual interest charges by $276,731. The company's 4½s "A" 1997 have advanced from a low of 94 this year to a high of 104. This is a generous price for a bond rated B 1.

ATLANTIC COAST LINE 4½S 1964: The Atlantic Coast Line has earned its interest charges in the last five years by from 1.13 times in 1939 to 4.44 times in 1942. The average for five years was 2.71 times. The price range for 1944: High 89½, low 69, last 88. At current market price, the current yield is 5.11%. (*Please turn to page 324*)



FOR PROFIT AND INCOME

Corporate Cash

The S E C says industry is well-heeled with cash, or other liquid assets, with which to return to the competitive, work-a-day world of peace. Reserve Board surveys (see story on page 301) show the build-up of corporate bank deposits has apparently terminated. Production having passed its peak, there is less need for working capital. All of this has a current meaning for stockholders in that total dividend disbursements are in a moderate upward trend. The Treasury estimates aggregate payments for 1944 will be $400,000,000 more than last year. Will the improvement last? That is the $64 question, and this department will leave it to another time for attempted answer when there is more evidence to go on.

Bull Market?

Maybe, it's a real bull market—although up to this writing neither the Dow industrial nor rail averages have passed former tops—but owners of a great many stocks don't yet see anything to cheer about. To cite some of the "worst actors," our group index of aircraft shares is only a trifle above the year's low; so is the baking group, copper and brass, textiles and sulphur. Our utility group recently made a new low for the year.

Values

For those keen on asset values, we herewith pass along the word that the controlling stockholdings of the Standard Oil Company (New Jersey) in Creole Petroleum are worth, at recent market prices, $619,550,000; those in Humble Oil, $578,852,000; those in Imperial Oil, $207,867,000. This is a total of $1,406,269,000. It equals $51.50 for each share of Standard Oil. At present market price of $57.25, that leave a market value of $5.75 per share for all the company's other huge assets—yet these remaining assets accounted for $2.45 of the reported total profit of $4.45 a share for 1943, as company's equity in earnings of the three oil companies named above was $2 a share. For ourselves, we like earnings better than assets on general principles—for many companies earn swell profits on low assets per share, and many others have high assets per share without making too much money. Jersey surely doesn't look high at 12.8 times 1943 earnings, nor in ratio to average pre-war earnings—but some analysts have their fingers crossed about oil earnings for the first year or two of peace. So far in recent market strength, action of this stock was somewhat on the lethargic side. Its 1943 high was 60, not yet closely approached.

SOME GOOD EARNINGS REPORTS

	Latest Period	Year Ago
Gar Wood Inds. 3 mos. to Ap. 30	$0.33	$0.23
Greyhound Corp. March 31 quarter	.72	.68
Am. Gas. & Elec. 12 mos. Ap. 30	2.25	2.10
West. Union 4 mos. Apr. 30	1.97	1.91
Briggs Mfg. 12 mos Dec. 31	2.69	2.15
Grumman Aircraft 12 mos. Dec. 31	6.58	2.63
Eng. Pub. Ser. 12 mos. Ap. 30	1.79	1.25
Myers (F. E.) 6 mos. Ap. 30	1.70	1.05
Young Spring 9 mos. Ap. 30	2.11	1.25
Fed. Light & T. 12 mos. March 31	1.74	1.64
Norwalk Tire 6 mos. March 31	.34	.22
Westinghouse March 31 quarter	1.43	1.30
Bonwit Teller 12 mos. Jan. 31	1.73	1.01
Int. Petroleum 12 mos. Dec. 31	1.10	.94

Hobbs Bill

Rail stocks wiped out by reorganization are removed from Stock Exchange listing but speculators—gamblers would be a better word—can trade in them over-the-counter. There is a hopeful flurry going on now on speculation that the revised Hobbs bill may get through Congress. This would give the old stocks at least something of a break—and complicate the reorganizations approved by the I. C. C. On this one the writer makes no predictions, nor recommendations.

Toward Normalcy

The domestic air lines probably will have a fleet of some 300 planes by the end of summer, which is a whale of a change. The authorities that be have let them have 28 more planes during the past three weeks, bringing the total available to 228, and release of an additional 50 or more planes is expected in the near future. We may be not so far from the time when there will again be surplus space on the air liners—and less profit per plane mile flown for that very reason. With planes running near or at full capacity, earnings were helped materially. Post-war profit prospects are decidedly conjectural, but this is a "romance" group to speculators and the stocks perhaps will go higher.

Keeping Abreast of Industrial and Company Changes

Easing Off

The Department of Labor last week reported a decline of 165,000 in the number of factory workers employed in May; and Secretary of Labor Perkins states that this reflects the completion of many war contracts, curtailments in others and decreases in consumer goods production. To date there has been a decline of about one million persons in manufacturing jobs since last November. W. M. C.'s McNutt and Madame Perkins ought to get together. McNutt thinks there is a serious labor shortage: the wherefore of his "voluntary draft" plan to go into effect July 1. The figures of Madame Perkins point to progressively less demand for industrial labor. It will be W. M. C. that proves to be off the beam, and not for the first time. All the signs suggest there will be sizable unemployment before the end of the year, serious unemployment next winter if Germany has been beaten meanwhile — as appears to be a good bet. Those who are wildly bullish about everything — including retail trade — might take note.

Paramount Dividend

We remarked here recently that Paramount stockholders had received increased dividends for five consecutive years, and opined that 1944 probably would see a sixth boost in the rate. It has. Since our last issue, a 50-cent quarterly has been voted. The indicated $2 annual rate yields cover 7.4 per cent at current price near 27. Since reorganization, this company has come a long way — all preferred shares having been retired, a major portion of funded debt having been eliminated, liquid financial strength much improved. The last of the funded obligations may be called before many more months have passed, leaving the common the sole capitalization. Though subject to reactions, this equity looks very reasonably priced.

Auto Worries

Detroit, auto capital of the world, is reported developing an acute case of "peace jitters". This is because motor industry executives fear there will be heavy war-order cutbacks before Washington is ready with a coordinated plan for speeding and smoothing the transition to civilian production. They say they have been given no real assurance that their plants will be promptly cleared of Government-owned machinery and materials.

WITH THE BROAD AVERAGE IN NEW HIGH GROUND, THE FOLLOWING STOCKS TO DATE ARE WELL BELOW 1943 HIGHS:

	Recent Price	1943 High
Air Reduction	40	48⅞
Allegheny Ludlum	26½	31½
Allied Chem. & Dye	146	165
Allied Mills	30	37⅜
Allis Chalmers	38	43¼
Anaconda Copper	25½	31⅞
Dow Chemical	127	153
Eastern Air Lines	36⅝	44⅝
Eastman Kodak	165¼	170
Erie R.R.	11⅝	16¾
Fajardo Sugar	23	28
Gulf Oil	47⅝	50½
Hercules Mot	23	29¼
Jones & Laughlin	23¼	20⅝
Kennecot Copper	30¼	35⅞
Lima Loco.	39⅝	44
Lockheed Aircraft	16	25⅜
Mathiesen Alkali	20⅞	27½
Philips Petroleum	43⅝	50
Sloss-Sheffield	15½	24½
Stand. Oil N. J.	57¼	60
Timken-Detroit Axle	29⅛	34¾

Sugar Refiners

Cane sugar refiners are having a good year, larger imports of raw sugar permitting substantially increased sales and earnings. Profits for the first half-year will be largest for the period since 1941, when early phases of the war boomed demand and there was no rationing.

Republic Steel

At recent price around 17, outstanding shares of Republic Steel were given aggregate market value of about $95,000,000. In comparison, $129,000,000 — or some $23 a share — was "put behind" the stock in five years since 1938: consisting of $67,600,000 spent for new facilities; $36,700,000 increase in net working capital; reduction of $17,600,000 in funded debt; reduction of $7,200,000 in preferred stock. Before this change, in the depression year 1938 — when Republic lost money — the stock at one time got as high as 25⅝. It sold as high as 25¾ in the depression year 1934. When taxes were lower than now, the company earned $3.32 a share in 1940 and $3.87 in 1941. Last year, inclusive of contingency reserve, it was only $2.61. In good steel years after the war, at a 40 per cent tax rate, Republic might earn over $3.50 a share. Normally, some 80 per cent of company's finished steel output goes to makers of consumer goods. Though third size in the industry, Republic is biggest maker of alloy steels, now operating estimated 27 per cent of countrry's total electric furnace capacity. The market for a long time has been loking at steel stocks, including this one, very "realistically" — probably too much so.

Case History

Over eight months ago a $600 million tank contract of Ford Motor Company was cancelled. Today, piled over 30 acres of the company's plant and yard space, are mountains of surplus tank parts and materials resulting from this cancellation. Only a very small fraction of the stuff has been disposed of or transferred to other war uses. One small piece of production equipment that cost over $3,000 — apparently useful only in manufacture of tanks — was sold as junk for $16 which was less than the labor cost of breaking it up.

Inventories

The inventories of manufacturers have declined by about $500,000,000 from the peak made last September but still stand at $10,000,000,000. The Department of Commerce cheerfully remarks that this trend could "hold down" the amount of surplus stocks after the war. Sure it can — by a very small degree. But the bulk of the surplus stuff will not be on the books of industry anyway; it will be in the Government's hands. It will be the over-produced equipmnt and supplies not needed by the Army and Navy. Meanwhile, total inventories of retailers are around $6,000,000,000, comparing with peak of roughly $8,000,000,000 in 1942, but are still some $1,000,000,000 more than at the start of 1940. Wholesalers' inventories are just above $4,000,000,000, against $5,000,000,000 at the 1942 peak and about $3,600,000,000 at start of 1940. Since prices are up, declines in physical volume are greater than these figures indicate.

Civilian Goods

Changes in W.P.B. authorizations for civilian goods output remain a matter of bits and pieces so far — and sometimes not even that. Now there is a change in stove production but not in total volume. For the past two years limited output was concentrated in small plants. These now are given a lower quota and what is taken from them is shifted to large companies — if they can make stoves without interfering with their war work or anybody else's war work. That's a lot of ifs.

Synthetic Rubber

Attorney General Biddle has ruled that the synthetic rubber industry in this country is operating as a monopoly, and he warns that this can not be permitted to continue after the war. That is one for the book — as the Government owns practically all the plant capacity. Owning the plants, it would seem a reasonable surmise that the Government can call the tune on how they are to be used in future, without going to court about it.

Speaking of Stoves

And, speaking of stoves, we are warned by Gordon C. Cooke, chairman of the National Anthracite Distribution Committee, that supplies of coal will decline progressively in the next few months and that before the end of winter "there will be a mad scramble for any kind of fuel." Who said the war was as good as over?

Pets

Some other pets of this department are losing favor with us. We were fonder of them when — in terms of market price — they were pups instead of today's sizable dogs. (No invidious connotation intended). We are thinking especially of Spiegel. Around 7 not so long ago, recently it nearly hit 10. Over an extended period we think this stock has possibilities of going much higher, but we are not inclined to favor new purchases except on reactions. The same goes for all other "appreciation stocks" commented on favorably in these colums in recent months.

COMPANIES REPORTING REDUCED EARNINGS

		Latest Period	Year Ago
Northern Pacific Railway	4 mos. Ap. 30	$1.00	$1.90
Smith (A. O.) Corp.	3 mos. Ap. 30	4.08	7.88
Reo Motors	Yr. to Dec. 31	1.87	2.84
Am.-Hawaiian Steamship	3 mos. March 31	.70	.93
National Grocers	Yr. to March 31	.78	1.10
New England Power Ass.	Yr. to Dec. 31	6.56	7.14
American Type Founders	Yr. to March 31	1.76	1.95
Chicago Penumatic Tool	3 mos. March 31	1.01	1.11
Florsheim Shoe	6 mos. Ap. 30	1.25	1.31
Hall (W. F.) Printing	Yr. to March 31	2.66	2.84
Southern Pacific	4 mos. Ap. 30	3.98	7.59
U. S. Freight	3 mos. March 31	.29	.97
Campbell, Wynant	3 mos. March 31	.58	.78
City Stores	3 mos. Ap. 30	.33	.40
Hecla Mining	3 mos. March 31	.13	.23
Consol. Gas Utilities	3 mos. Ap. 30	.35	.53
United-Carr Fastener	3 mos. March 31	.68	.90

Liquid Gold

Since it always can be sold — very likely at a profitable price — prospecting for oil has much the same allure as prospecting for gold. The difference, as compared to early gold rush days, is that the search for oil is far more extensive, intensive and expensive. It is estimated that $300,000,000, a record sum, will be spent this year in seeking new sources of supply. Despite use of the most scientific methods in selecting possible or probable oil areas and in making preliminary soundings, it is still a long-odds proposition. For every ten wells drilled, on an average one produces oil and its output may or may not be something for the driller to rejoice over.

Forecast

Clarence Francis, chairman of the General Foods Corporation, opined in a luncheon address the other day that in the first nine months after hostilities cease the national income will drop to $95,000,000,000 from peak war-time level around $160,000,000,000. That would sure be a nose-dive. The cheerful Mr. Francis adds, however, that it would still be $17,000,000,000 more than in 1940. The people let out of war work probably will not look at it that way.

The Piano Industry

At least 80 per cent of the capacity of the piano manufacturing industry will be idle in the near future, says George Stapely, president of the National Piano Manufacturing Association. These manufacturers had been making mainly wooden parts for aircraft and now their program is suspended — but they are not allowed materials to swing back into normal output. Don't laugh this off, mister. It is just a sample. There is a lot more of it coming, where it will hurt worse.

Soft Drinks

The soft drink habit seems to grow on people — or so the industry believes. Some expect that post-war output will utilize around 750,000 tons of sugar a yar, against less than 500,000 tons now used. But it would be much more now if use of sugar were unrestricted. This department still likes Canada Dry "for the pull" — though it recently sold at a new high above 29 and is not nearly as cheap as when we first took a fancy to it.

ANOTHER LOOK AT—

. . . NATIONAL ACME . . . EX-CELL-O . . . BLACK & DECKER

BY N. O. WARREN

THE post-war "plight" of the machine tool industry has been widely publicized, and nowhere more gloomily than by various spokesmen for the industry itself. Since there are feasible civilian uses for many of the great numbers of machines made for the war plants and since tool volume reached a level some ten-fold higher than in the most active peace years, some fear that the industry has substantially "produced itself out of the market" for some years to come.

Yet three machine tool stocks—National Acme, Ex-Cell-O and Black & Decker—have recently been among the prominent minority of stocks making new highs for the year or longer. This would suggest that fears for the industry's post-war situation had either been exaggerated or over-generalized, or perhaps a bit of both. However, the purpose of this article is not extended examination of the industry, but to have "another look" at the three stocks which have called particular attention to themselves by their market action.

National Acme

This enterprise dates back over 40 years, though incorporated under present name in 1916. Sole capitalization is 500,000 capital shares, and working capital position is strong. Chief products are screw machines, turret lathes, chucking machines; threading and hollow milling machines; centrifugal clarifying and separating machines; and some electrical equipment lines. Though a wide list of industries is served in peace time, most important market by far is the automotive field.

It is believed the automobile and accessory makers will have an extended period of high post-war volume. Evidently, investment bullishness on the automotive stocks "spilled over" into National Acme as a closely related issue and caused recent rise to new high for the year. However this high of 18 is, so to speak, not very high. The high last year was 19⅜, about the same as in 1942; while highs fractionally above 23 were made in 1941 and 1940, comparing with 1937 top of 24. Peak war-time net was $6.29 a share in 1941, comparing with $4.77 in 1942 and $4.07 last year; while best pre-war figures were $2.85 in 1937 and $4.21 in 1929. Dividend is $2. For 1936-1939, it did not exceed $1 and averaged 62½ cents a year. On the pre-war record, the stock is no bargain at present price. What post-war volume, taxes and net may be is more than a little bit conjectural.

Ex-Cell-O

This is a "special situation" in which market rise this year has not been a "recovery" but an individualized bull movement. Recent high was 35½, comparing with year's low of 21⅜ and 1943 range of 29¼-20. Best previous price was 34¾ in 1940. In the 1937 bull market, highest figure was 27½ but the equity was then listed only on the Detroit Stock Exchange.

The company makes an extensive line of machine tools, has several plants in or near Detroit and has an especially strong trade position with automotive customers. However, recent—and apparently "good"—buying of the stock is believed to have been founded mainly on the potentials expected of one Ex-Cell-O specialty: namely, Pure-Pak machines which form, coat, sterilize, fill, seal and date single service paper containers for milk and other dairy products. Production of these patented machines was halted by the war, after they had established an annual revenue, on a lease-royalty basis, exceeding $200,000—and with an ultimate potential believed at least five—possibly ten—times that figure.

Considered merely as a machine tool stock, Ex-Cell-O does not look at all cheap, highest pre-war net having been $2.21 per share in 1939 and $1.69 in 1937; average 1936-1939 net having been $1.52 and average dividend for the same period about 86 cents. However, it may be worth present, or ultimately higher prices, largely on the longer-term potentials of the company's Pure-Pak machine—but precisely what this might be worth on a per share basis is a speculative question that statistical "figuring" can't answer. The sole capitalization is 398,-806 shares and financial position is sound.

Black & Decker

As a leading maker of portable, motor-driven tools and of fractional horsepower motors, Black & Decker demonstrated relatively good earning power under fair to active pre-war business conditions. For instance, net was $2.82 per share in 1937, $2.74 in 1936, $1.36 in 1935. Despite hugely increased sales, only in 1941—with $3.78 a share—did war profits exceed best pre-war levels. Due to high taxes, earnings of $1.68 and $1.72, respectively, for the 1943 and 1942 fiscal years (ended Sept. 30) were actually less than the 1935-1937 average. However, for the six months ended March 31, the figure, subject to renegotiation, was $1.86 against $1.36 a year ago.

On less than a fourth of 1943 volume, the company in 1936-1937 earned average of about 65 per cent more per share than in 1943. Thus, it would appear to be a "peace beneficiary"—if volume is moderately higher than in 1936-1937 and if taxes are substantially reduced. Although this is a low-price stock in a cyclical industry, market volatility is less than average for comparable issues. Bear market low in 1942 was only 14¾ and best rise on the subsequent broad market recovery to July, 1943, was to 19¾. The recent new high was 20.

Highs in former years were 23⅞ in 1941, 22½ in 1940, 24½ in each of 1939 and 1938, and 38 in 1937. Since the stock is not of investment caliber and since as a speculation it seems to have less than average volatility, the appeal at present level appears limited. It is similar to the other two situations here discussed in that there is no debt, capitalization is small (389,263 shares) and financial position is sound.

THE CITIES SERVICE COMPANY

An Analysis of Indicated Break-Up Values

BY OWEN ELY

RECENTLY the huge Cities Service Company formally notified the Securities & Exchange Commission that it had elected to retain its oil, wholesale natural gas, real estate and other non-utility properties; and that it would dispose of its utility interests "to the extent necessary to relieve it from regulation under the Holding Company Act." Thus, another large company is moving toward a drastic change in its character and capitalization set-up.

This is significant news to a great many thousands of stockholders, for Cities Service is one of the largest of oil and utility holding companies and ranks high among the list of companies with the greatest numbers of shareholders. The stock will be sadly remembered by many as one of the most over-optimistic dreams of a generally over-optimistic stock market in 1929. However, the real values in relation to 1929 prices are one thing and the real values behind today's low-price stock are something else again. They appear to be quite substantial, and more cheaply priced than for many oil stocks, quite a few of which are basically of no better investment quality. Wherefore, we make this analysis of the situation.

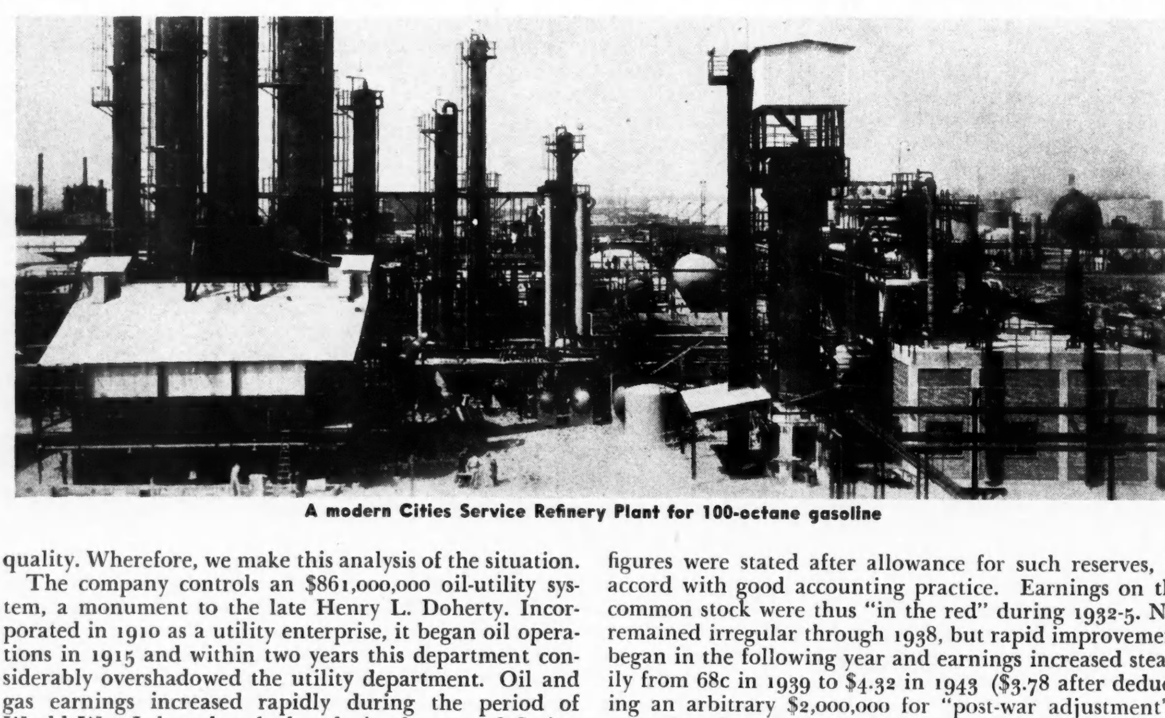
The company controls an $861,000,000 oil-utility system, a monument to the late Henry L. Doherty. Incorporated in 1910 as a utility enterprise, it began oil operations in 1915 and within two years this department considerably overshadowed the utility department. Oil and gas earnings increased rapidly during the period of World War I, but shrank sharply in the 1921 deflation period. Gradually rebuilt, gross from oil operations recovered to the 1920 level by 1929. In the meanwhile, however, the company rapidly increased its utility holdings (probably paying inflated prices for some of them) so that by 1929 gross earnings from both divisions of the business were about even.

With the consistent growth record and the security-distribution system developed by Mr. Doherty, the company's stock enjoyed a tremendous rise. "Net to stock and reserves" increased from $922,032 in 1911 to $22,055,938 in 1920, but the amount was reduced more than half in the following year and it was six years before net could be restored to the old level.

During the first decade of the company's history, due to its tremendous earnings from oil and gas during the war, share earnings increased from $4.10 (based on the present $10 par stock) to $30.80 a share in 1918. A decline to $6.50 in 1921 reflected the post-war slump in commodity prices and business activity. During the following decade, while the company was rapidly building both its oil and gas properties, share earnings fluctuated between $7.40 and $13.90, but in 1931 dropped to $4.60.

The above share earnings were, however, before deduction of any reserves for depreciation of utility properties, and depletion of oil reserves. Beginning about 1932, the figures were stated after allowance for such reserves, in accord with good accounting practice. Earnings on the common stock were thus "in the red" during 1932-5. Net remained irregular through 1938, but rapid improvement began in the following year and earnings increased steadily from 68c in 1939 to $4.32 in 1943 ($3.78 after deducting an arbitrary $2,000,000 for "post-war adjustment").

During the 1930's the company was gradually rebuilding its financial position, which had suffered heavily due to the period of over-rapid growth in the 1920's. Dividends had been paid continuously on the common stock for 21 years (though payments were sometimes made in securities instead of cash). In 1932, the company stopped



A modern Cities Service Refinery Plant for 100-octane gasoline

payments on its three issues of preferred stock as well as on the common, and with the exception of a small payment on the first preferred in 1941 nothing has been paid since, despite substantial earnings and rapidly improving cash position. Instead, the company began a process of "deflating" its balance sheet and capitalization. Gross plant and investment account in the 12 years ending 1943 dropped from $1,143,000,000 to $666,000,000, yet during this period some $300,000,000 was invested for construction and property acquisitions. Bonds, preferred stocks and other items senior to the common in the consolidated balance sheet were reduced from $864,000,000 to $613,000,000. Net current assets for the system increased from $20,000,000 to $92,000,000 and the parent company accumulated net current assets of over $21,000,000. It is obvious that a thorough housecleaning occurred.

The price of Cities Service common (on the Curb) has followed the trend of market psychology, with earnings a secondary factor. During 1911-1924 the pattern was fairly clear, with prices averaging roughly 5-10 times earnings. During the 1920's, however, the company's oil operations were overshadowed by its growth as a utility holding company and in 1929 the stock sold as high as 681 in terms of the present par value—about 58 times stated share earnings and perhaps 100 times earnings after adjustment for depreciation, etc. The descent was more rapid than the advance, however, and in 1932 the stock had dropped to 13, at the nadir of the bear market. It rallied to 74 in 1936, but due to the growing unpopularity of utility holding company stocks resulting from Washington regulatory policies, it dropped to a record low of 2⅛ in 1942—only about half the share earnings for that year.

This year, with the comeback in holding company stocks and the growing realization of the system's importance in the oil and gas field, it has recovered to 17¾ (currently 15). At the latter price, it is selling at about 3½ times last year's earnings (before post-war reserves). If depletion and depreciation charges should be credited back, earnings would have amounted to $12.84 a share—more than was reported in 1929, when the stock sold up to 681! During the entire period 1911-1934—and for some subsequent years—the stock sold higher in relation to earnings than at present. Thus, while the stock has had a big percentage rise in the past two years, it still appears modestly priced as compared with its price record up to recent years.

While the company's balance sheet position has improved very substantially in the past decade, part of this improvement was due to the omission of preferred dividend payments, the arrears in which at the end of 1943 amounted to $39,129,030. Also while the financial structure has been improved, the parent company has $76,131,128 bonds (in the hands of the public and in sinking funds) due in 1950. A recapitalization is obviously desirable to permit a reduction in the current 5% interest rate, to extend the early maturity and to take care of preferred arrears so that payments on the common stock may be resumed.

Cities Service Company, like many other utility holding companies, fought against the provisions of Section 11 of the Holding Company Act (containing the so-called "death sentence") up to nearly a year ago. On August 17, 1943, the SEC ordered the principal utility sub-holding company, Cities Service Power & Light, to dispose of all its interests except two important subsidiaries in Ohio. The company, later, sold one of its major subsidiaries, Public Service of Colorado, to the public, and a smaller company, Durham Public Service, was sold to another utility. With these proceeds and a $20,000,000 bank loan, it retired all its bonds and preferred stock.

Within a few weeks, the company plans to merge Empire District Electric and three smaller companies, selling out its stock interest simultaneously with the recapitalization and bond refunding operations. The sale is expected to net the company about $4,500,000. Other scattered properties will probably be sold from time to time, together with the investment in the semi-independent system, Federal Light & Traction. These sales might suffice to wipe out the bank loan, leaving the common stockholder (Cities Service Company) with a clear equity interest to the Ohio companies—Toledo Edison and Ohio Public Service. While it is difficult to gauge the exact value of these properties because of increased Federal taxes when companies are sold out of the system, a rough estimate places the value around $35,000,000.

COMPARATIVE PRICES AND EARNINGS

	Recent Price	1943 Earnings	Price-Earnings Ratio
Cities Service	15	$3.00*	5.0
American Republics	13	1.53	8.5
Barnsdall	16	1.62	9.9
Houston Oil (Texas)	11	1.42	7.8
Louisiana Land	7	.61	11.5
Mid-Continent Petroleum	26	3.53	7.4
Ohio Oil	18	2.14	8.5
Plymouth Oil	18	2.16	8.4
Pure Oil	16	2.50	6.4
Richfield Oil	9	1.00	9.0
Sinclair Oil	13	1.85	7.0
Socony-Vacuum Oil	13	1.15	11.3
Seaboard Oil	25	1.58	15.8
Texas Gulf Producing	6	.47	12.8
Texas Pacific Coal & Oil	18	1.48	12.2

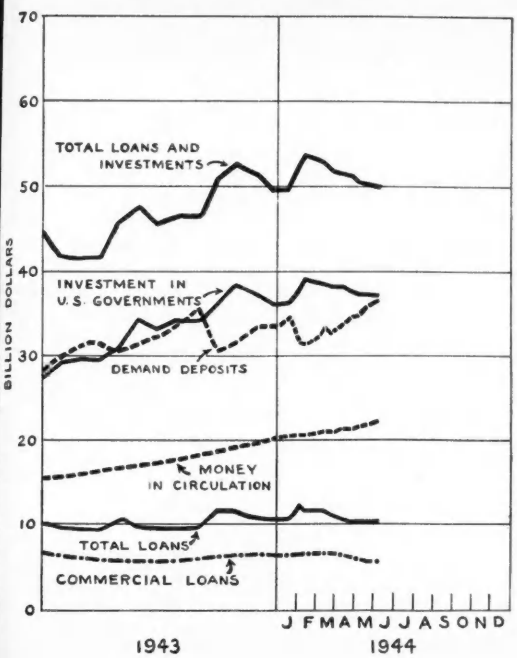
*After adjustments as explained in text (including settlement of arrears on preferred stock).

While the company has not indicated its plans for divestment of its major utility investment in Cities Service Power & Light, a logical move would be to offer the stock (along with cash and a new lower dividend rate preferred) to the three outstanding 6% issues with their arrears of about 71%. The company's net quick assets, together with the Power & Light stock, would be more than ample to take care of the arrears; the balance of $10 to $15 millions might well be devoted to reduction of preferred stock outstanding.

The remainder of the divestment program is difficult to analyze in this brief article. Arkansas Natural Gas Corp., an important sub-holding company, has some retail gas properties in addition to its large wholesale business; and other scattered utility properties are owned directly by Cities Service Company. The retail gas properties might be salable for some $10 to $15 millions (they would not command as good a market price in relation to earnings as the electric properties). Miscellaneous electric interests are worth little or nothing, it is estimated. If all utility properties are disposed of (which will probably not be necessary) outstanding preferred stock could be further reduced. Allowing for estimated savings from the bond refunding, consolidated net income available for the common stock might be reduced to the extent of some $5,000,000, it is estimated—leaving net of about $3 for the common. On this basis the stock is selling currently at about 5 times earnings, which compares with some other oil and gas issues as indicated in the accompanying table.

The prices of oil and natural gas stock are of course affected by other factors than current earnings. The provision for depletion and similar *(Please turn to page 317)*

MONEY AND BANK CREDIT



CONCLUSIONS

MONEY AND CREDIT — Corporate working capital increased only $17 billion, or 67%, in first four years of the war, despite increase of 124% in national gross product.

TRADE—Retail store sales in first four months topped last year by 9% in value and 6% in volume. Department store sales up 7% in first five months.

INDUSTRY—Business activity spurred to new heights by invasion, despite labor shortage. Heavy goods industries now booking civilian orders for post-war delivery.

COMMODITIES—Grains sell below ceiling prices under bumper crop prospects; but cotton buoyed by inflationary amendments to price control extension bill. Livestock prices now lower than last year, with poultry and eggs down 13%.

The Business Analyst

Feverish pre-invasion and early invasion reparations lifted **business activity** another % during the past fortnight, to a new all-time igh. **Paperboard** production spurted, despite he waste paper shortage; while **crude runs o stills,** drawing heavily upon petroleum tocks, jumped 4% to the greatest volume on ecord.

* * *

For the month of May, per capita **business ctivity** rose to 135% of the 1923-5 average -1.2 point ahead of April and 3.9 points bove May, 1943. Without compensation for opulation growth, our index advanced during May to 164.4—1.7 point ahead of April and % above May of last year.

* * *

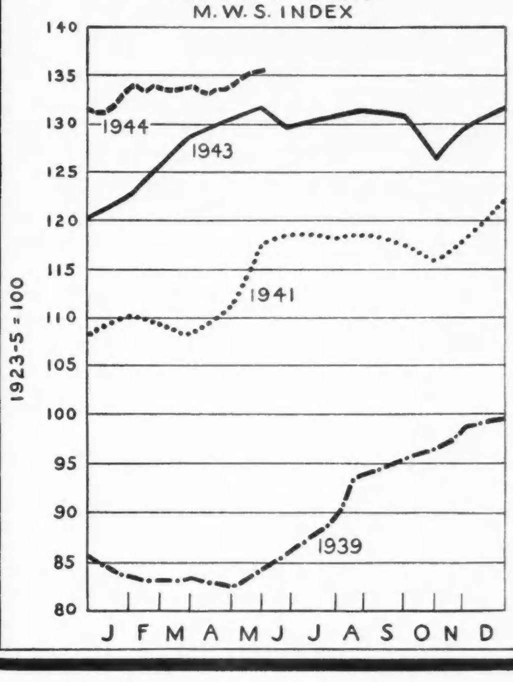
In the first four months of the current year **etail store sales** were 9% above the like eriod last year in value and 6% in volume. **epartment store sales** in the week ended une 3 were 7% above last year, compared ith increases of 16% for four weeks and 7% or the year to date.

* * *

News of **the invasion** brought an immediate nd spontaneous outburst of united effort to peed bond sales and munitions output. Workers in airplane plants came to work ahead f schedule and resolved to cut out avoidable

(Please turn to the following page)

BUSINESS ACTIVITY
PER CAPITA BASIS
M. W. S. INDEX



Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
FEDERAL WAR SPENDING (tf) $b	June 7	1.67	1.65	1.56	0.43
Cumulative from Mid-1940	June 7	193.7	192.0	103.9	14.3
FEDERAL GROSS DEBT—$b	June 7	186.9	186.4	136.3	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	June 7	36.9	36.2	31.4	24.3
Currency in Circulation	June 7	22.1	21.9	17.2	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	June 7	5.11	5.15	5.33	3.92
100 Other Cities—$b	June 7	7.25	7.25	7.15	5.57
INCOME PAYMENTS—$b (cd)	Apr.	12.49	12.87	11.40	8.11
Salaries & Wages (cd)	Apr.	8.97	8.98	8.20	5.56
Interest & Dividends (cd)	Apr.	0.82	1.13	0.76	0.55
Farm Marketing Income (ag)	Apr.	1.40	1.43	1.32	1.21
Includ'g Govt. Payments (ag)	Apr.	1.47	1.51	1.39	1.28
CIVILIAN EMPLOYMENT (cb) m	Apr.	51.3	50.5	51.6	50.4
Agricultural Employment (cb)	Apr.	7.5	6.9	7.9	7.7
Employees, Manufacturing (lb)	Apr.	16.1	16.4	16.8	13.6
Employees, Government (lb)	Apr.	5.9	5.9	5.9	4.5
UNEMPLOYMENT (cb) m	Apr.	0.8	0.9	1.0	3.3
FACTORY EMPLOYMENT (lb4)	Apr.	161	164	168	141
Durable Goods	Apr.	222	225	226	168
Non-Durable Goods	Apr.	114	116	122	120
FACTORY PAYROLLS (lb4)	Mar.	325	328	305	189
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Mar.	45.3	45.3	44.7	40.3
Hourly Wage (cents)	Mar.	100.6	100.3	93.4	78.1
Weekly wage ($)	Mar.	45.62	45.44	41.75	32.79
PRICES—Wholesale (lb2)	June 3	103.9	103.8	103.9	92.2
Retail (cdlb)	Apr.	136.4	135.3	133.9	116.1
COST OF LIVING (lb3)	Apr.	124.5	123.8	124.1	110.2
Food	Apr.	134.6	134.1	140.6	113.1
Clothing	Apr.	136.9	136.7	127.9	113.8
Rent	Apr.	108.1	108.1	108.0	107.8
RETAIL TRADE					
Retail Store Sales (cd) $b	Apr.	5.41	5.59	5.21	4.72
Durable Goods	Apr.	0.72	0.75	0.79	1.14
Non-Durable Goods	Apr.	4.69	4.84	4.42	3.58
Chain Store Sales (ca)	Apr.	186	189	175	151
Dept. Store Sales (rb) (1)	May	140	140	125	116
Dept. Store Stocks (rb2)	Apr.	98	101	87	95
MANUFACTURERS'					
New Orders (cd2)—Total	Apr.	281	271	280	212
Durable Goods	Apr.	406	384	409	265
Non-Durable Goods	Apr.	200	198	197	178
Shipments (cd3)—Total	Apr.	280	273	253	183
Durable Goods	Apr.	387	369	338	220
Non-Durable Goods	Apr.	196	197	186	155
BUSINESS INVENTORIES—$b					
End of Month (cd)—Total	Apr.	27.8	28.0	27.6	26.7
Manufacturers'	Apr.	17.4	17.5	17.4	15.2
Wholesalers'	Apr.	4.1	4.1	4.0	4.6
Retailers'	Apr.	6.3	6.4	6.2	7.2

PRESENT POSITION AND OUTLOOK

(Continued from page 313)

absence and rest. Several minor strikes were called off.

* * *

Military authorities say that it will be possible to know by July 11 at the latest whether the invasion can be set down as an "unqualified success, a general success, a moderate success, a stalemate or a defeat." Of course no one envisions the latter, and a few, closest in the know at Washington, hint privately that the European phase of the war might be over by November.

* * *

This much is certain: with the period of munitions stockpiling and heaviest overseas transport of troops ended, numerous war and cargo ships will be released for other duties. Henceforth ships will be needed only to carry replacements. Admiral Ingersoll now reveals that, since Jan. 1, 1942, the Atlantic fleet has escorted 7,000 ships across the Atlantic, losing not one transport and only 10 cargo ships!

* * *

It is now up to all of us on the home front to forget self and render every possible support to the war effort. And it is up to Congress to speed action on contract termination, surplus property disposal, demobilization and plans for resumption of civilian production, least peace catch us unprepared.

* * *

Congress, realizing this, has abandoned earlier plans to adjourn from June 20 until after Labor Day, and both Chambers have resolved to take merely a short recess for the political conventions.

* * *

Meanwhile some progress has already been made. It is anonunced (O. W. I.-3259) that a uniform **termination procedure** in settlement of claims under fixed price subcontracts has been adopted by the Joint Contract Termination Board and formally approved by War Mobilization Director Byrnes. War contractors will be allowed now to place **orders for machine tools** they will need when military conditions permit them to resume peacetime output.

* * *

Discharged veterans of the present war are entering industry at the rate of about 70,000 a month. O. W. I. has issued a report (N. B.-2554) telling what is being done to place them in civilian (mostly war) jobs.

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—1—pc	June 3	135.6	135.1	130.2	118.2
(M. W. S.)—1—np	June 3	165.1	164.6	156.1	139.5
INDUSTRIAL PRODUCTION (rb3)	Apr.	240	242	237	174
Durable Goods, Mfr.	Apr.	362	367	356	215
Non-Durable Goods, Mfr.	Apr.	174	175	175	141
CARLOADINGS—t—Total	June 3	811	870	668	833
Manufactures & Miscellaneous	June 3	360	385	357	379
Mdse., L. C. L.	June 3	97	105	91	156
Coal	June 3	170	183	41	150
Grain	June 3	37	41	38	43
ELEC. POWER Output (K.w.H.)m	June 3	4,144	4,292	3,926	3,267
SOFT COAL, Prod. (st) m	June 3	11.9	12.6	3.0	10.8
Cumulative from Jan. 1	June 3	272	260	251	466
Stocks, End Mo.	Apr.	50.5	51.8	78.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	June 3	4.52	4.51	3.93	4.11
Gasoline Stocks	June 3	87.08	86.47	82.70	87.84
Fuel Oil Stocks	June 3	50.24	49.81	67.27	94.13
Heating Oil Stocks	June 3	32.59	32.04	30.82	54.85
LUMBER, Prod. (bd. ft.) m	June 3	483	515	605	632
Stocks, End Mo. (bd. ft.) b	May	3.4	3.4	4.0	12.6
STEEL INGOT PROD. (st.) m	May	7.68	7.57	7.55	6.96
Cumulative from Jan. 1	May	37.8	30.2	36.8	74.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	June 8	42.9	23.2	69.6	93.5
Cumulative from Jan. 1	June 8	800	757	1,668	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	June 3	170	139	168	165
Hide & Lthr. Stks., End Mo. (Hd.)m	Apr.	10.7	11.0	10.8	14.0
Whiskey, Withdrawals (tax Gals.)m	Apr.	4.54	5.29	5.77	8.14
Do., Stocks, End Mo.	Apr.	362	368	438	506
Cigarettes, Domestic Sales—b	Apr.	18.8	20.0	19.9	17.1
Cigars, Domestic Sales—m	Apr.	362	419	452	543

PRESENT POSITION AND OUTLOOK

W. P. B. Chairman Nelson looks for a "tremendous pent-up **demand for civilian goods**" as the war approaches its end. Train and bus makers are already accumulating backlogs of post-war orders. Baldwin Locomotive Co., for example has only just completed a reconversion program involving many months of extensive rearrangement and retooling of shops to increase efficiency and speed production; yet the company's output of locomotives has already increased 42% in the first four months of 1944 over 1943.

* * *

Highlighting the gratifying increase in corporate **working capital** during the war, the SEC has just released a summary for all corporations, save banks and insurance companies, disclosing the following gains between 1939 and 1943: current assets—$39.5 billion, or 72%; cash—$11.7 billion, or 107%; U. S. Government securities—$13.8 billion, or 627%; inventories—$8.9 billion, or 50%; current liabilities—$22.5 billion, or 75%; net working capital—$17 billion, or 67%.

* * *

Commerce Department predicts that corporate **profits** this year, after taxes, will be only $8.5 billion, against $9.6 billion for 1943; but **dividends** will be up $0.2 billion to a total of $4.3 billion. Treasury estimates 1944 profits at $8.9 billion.

ag—Agriculture Dep't. b—Billions. ca—Chain Store Age, 1929-31—100. cb. Census Bureau. cd—Commerce Dep't. cd2—Commerce Dept., Jan., 1939—100. cd3—Commerce Dep't., 1939—100. cdlb—Commerce Dep't. Index (1935-9—100) using Labor Bureau & other data. en—Engineering News-Record. 1—Seasonally adjusted Index. 1923-5—100 lb.—Labor Bureau. lb2—Labor Bureau. 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100 m. Millions. mpt—At Mills, Publishers & in Transit. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, adjusted index, end of Mo., 1923-5—100. rb3—Federal Reserve Board adjusted index, 1935-9—100. st—Short tons. t—Thousands. tf—Treasury & R. F. C.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

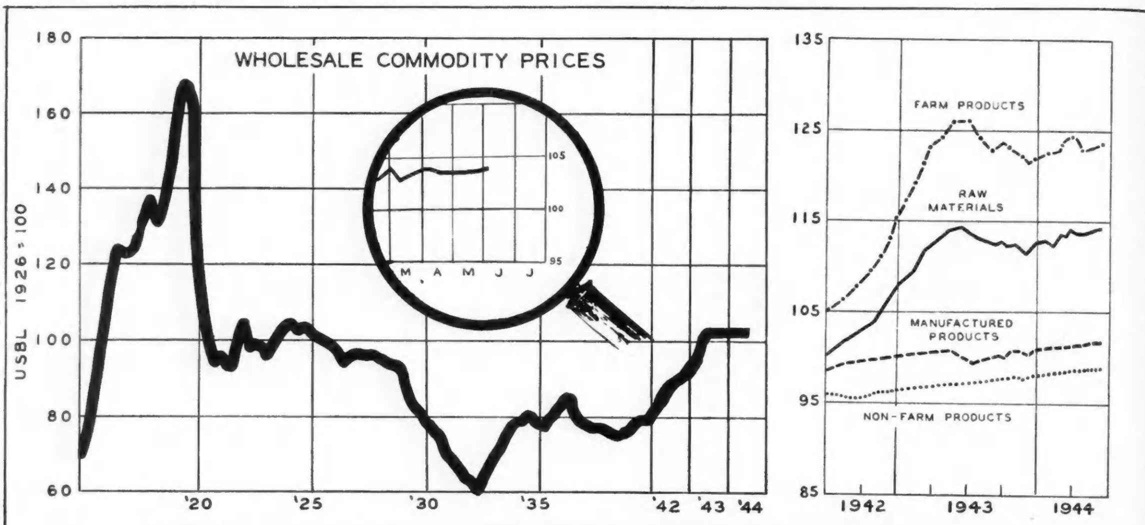
No. of Issues (1925 Cl.—100)	1944 Indexes High	Low	June 10	June 17
283 COMBINED AVERAGE	94.4	79.5	87.9	94.4G
4 Agricultural Implements	170.8	148.6	161.7	170.8G
9 Aircraft (1927 Cl.—100)	132.9	118.5	118.7	129.6
5 Air Lines (1934 Cl.—100)	485.8	421.9	444.2	485.8A
5 Amusement	78.0	68.2	72.9	78.0A
13 Automobile Accessories	156.5	119.0	150.3	156.5Q
12 Automobiles	27.0	17.6	24.0	27.0G
3 Baking (1926 Cl.—100)	14.4	12.9	13.6	14.4A
3 Business Machines	203.7	171.9	182.2	203.7G
2 Bus Lines (1926 Cl-100)	115.3	101.9	106.7	106.7
5 Chemicals	194.2	176.0	181.8	194.2A
4 Communication	71.5	57.1	66.2	71.5G
12 Construction	40.5	33.1	37.6	40.5E
6 Containers	270.3	220.1	255.8	270.3G
8 Copper & Brass	70.1	62.5	62.8	70.1A
2 Dairy Products	46.2	38.6	42.8	46.2N
6 Department Stores	34.8	28.2	33.1	34.8G
5 Drugs & Toilet Articles	110.9	81.0	101.4	110.9H
2 Finance Companies	247.0	216.1	226.1	247.0C
7 Food Brands	133.8	123.1	128.6	133.4
2 Food Stores	51.9	46.5	51.1	51.9D
4 Furniture	74.9	56.4	69.0	74.9G
3 Gold Mining	1010.4	879.8	967.4	983.2

(Nov. 14, 1936, Cl.—100)	High	Low	June 10	June 17
100 HIGH PRICED STOCKS	70.09	62.77	66.93	70.09E
100 LOW PRICED STOCKS	96.56	75.33	87.56	96.56G
6 Investment Trusts	40.9	34.0	38.1	40.9G
3 Liquor (1927 Cl.—100)	365.4	291.4	355.6	353.5
8 Machinery	119.7	105.2	113.8	119.7E
2 Mail Order	91.9	82.5	88.0	91.9D
3 Meat Packing	64.9	55.5	61.4	64.5
11 Metals, non-Ferrous	135.9	116.4	120.6	135.9A
3 Paper	15.7	12.9	15.1	15.7D
22 Petroleum	136.4	121.3	131.1	136.4A
19 Public Utilities	53.9	48.7	48.7a	52.1
4 Radio (1927 Cl.—100)	28.1	21.5	24.6	28.1G
7 Railroad Equipment	57.8	51.5	53.5	57.1
18 Railroads	19.7	14.1	18.0	19.7E
2 Shipbuilding	83.7	70.3	75.7	82.3
3 Soft Drinks	351.3	305.2	332.2	351.3G
12 Steel & Iron	75.6	65.7	69.2	75.6A
3 Sugar	49.2	41.7	46.6	49.2Q
2 Sulphur	171.7	160.7	162.3	167.7
3 Textiles	56.9	48.0	50.8	54.2
3 Tires & Rubber	33.6	25.4	31.1	33.6P
4 Tobacco	71.3	60.2	68.7	71.3C
2 Variety Stores	242.8	219.7	236.9	242.8D
21 Unclassified (1943 Cl.—100)	117.9	98.7	108.9	117.9A

a—New LOW this year. New HIGH since: A—1943; C—1941; D—1940; E—1939; G—1937; H—1936; N—1931; P—1930; Q—1929.

Trend of Commodities

Prices received by farmers during the month of May averaged about the same as a year earlier; but were 1% lower than in April. Comparing May this year with last year, crop prices were up 6% (food grains, 18%; feed grains, 20%; tobacco, 10%; fruit, 37%; with cotton off 1% and truck crops, 19%) and animal products down 5%, including a 13% drop in poultry and eggs. We cite these divergent price trends to exemplify the futility of attempting to stabilize prices at any definite level. To paraphrase Lincoln: you might freeze part of our economy all the time, or all of our economy part of the time; but not all of the economy all the time. Mixed price trends have been even more conspicuous during the first half of June; with cotton rising in reflection of price-boosting amendments to the price control extension bill, and grains weak under prospects of bumper crops this season. Transport and storage facilities are going to be overburdened in the next few months in handling the first billion-bushel wheat crop since 1915. Barley and oats harvest, along with hay, will also be much larger than last year. To reduce stocks of rye in terminal storage and conserve wheat, W. P. B. has ordered distillers of industrial alcohol from grain to use at least 10% rye, starting July 1. After Germany falls, foodstuffs will still be under heavy demand for the Pacific war and European relief. But prices of many farm poducts probably have passed their peaks for a long time to come.

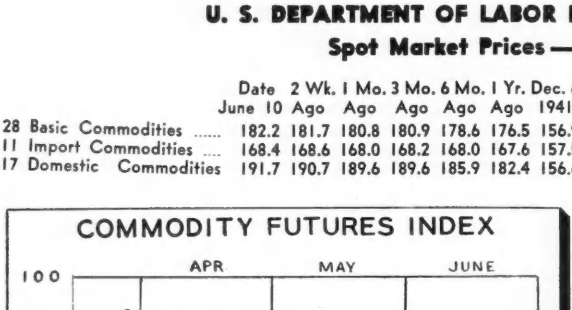


U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices — August, 1939, equals 100

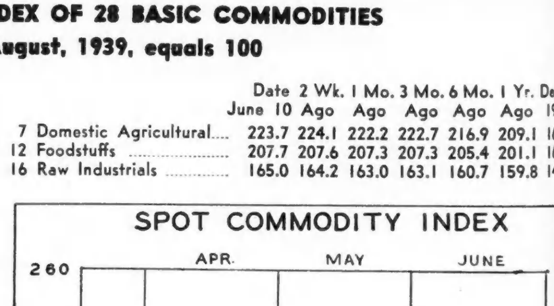
	Date June 10	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	182.2	181.7	180.8	180.9	178.6	176.5	156.9
11 Import Commodities	168.4	168.6	168.0	168.2	168.0	167.6	157.5
17 Domestic Commodities	191.7	190.7	189.6	189.6	185.9	182.4	156.6

	Date June 10	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 194
7 Domestic Agricultural	223.7	224.1	222.2	222.7	216.9	209.1	163
12 Foodstuffs	207.7	207.6	207.3	207.3	205.4	201.1	169
16 Raw Industrials	165.0	164.2	163.0	163.1	160.7	159.8	148



Average 1924-26 equal 100

	1944	1943	1942	1941	1939	1938	1937
High	98.13	96.55	88.88	84.60	64.67	54.95	82.44
Low	94.54	88.45	83.61	55.45	46.50	45.03	52.03



15 Commodities, December 31, 1931, equal 100

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	1944	1943	1942	1941	1939	1938	193
High	251.5	249.8	239.0	219.0	172.3	152.9	228
Low	247.0	240.3	220.0	171.6	138.4	130.1	144

Investment Audit of the Clothing Industry

(Continued from page 300)

an important source of royalty income. Cluett has $3,000,000 notes, 33,970 shares of 7% $100 par preferred and 677,844 shares of no par common oustanding. The earnings record has been good starting in 1939, but was only fair before that. The best year for a considerable period before 1939 was 1936 when net was $1.88 a share on the common, and in a number of years it was below $1. In 1939 net increased to above $4 a share and for the five years ending in 1943 the average was close to $4 a share. For these five years, dividends have averaged over $2.50 annually, although only $2 was paid in 1943.

Manhattan Shirt also makes more shirts than all other products combined, but is in other smaller items of men's wear. Capitalization is about $800,000 notes and 208,126 shares of $25 par value common. After fair results through 1938, earnings gained materially in the past five years, averaging over $2.70 a share annually from 1939 through 1943. The recent dividend rate has been $1.

Phillips-Jones Corp. is principally a shirt maker, also turning out handkerchiefs, collars, pajamas, neckties, etc. It has 11,474 shares of 7% $100 par preferred, and 76,185 shares of no par common outstanding. Many years of deficits were shown including 1939, but earnings have been good for the past four years. From the beginning of 1940 to Nov. 30, 1943, average earnings of $4.40 a share a year were reported. With such earnings, a clearing up of the preferred dividend arrears may develop before long. These amount to $24.50 a share. No dividends have been paid on the common in a number of years.

Munsingwear, Inc., is one of the largest makers of underwear and hosiery for men, women and children. It is widely known through advertising in national magazines, and its products are distributed to about 7,000 retailers. The company has received large orders for its products for use of service men. There is only one class of security of which 140,000 shares, no par value, are outstanding. Earnings showed sharp changes in the early 1930's, going from a large deficit one year to good profits the next, then a small deficit, followed by three good years, then a deficit again. This up and down trend has not been seen in the past three years when earnings were $3.58 a share, $2.86 and $3.17. Dividends have followed the earnings record, with no payments one year and a substantial one the next, then several years of no payments and two years of good ones. In the past three years, dividends have been large.

Hat Corporation of America is a large manufacturer of men's hats, also a fair amount of women's headwear. It operates retail stores in New York. Among its better known hat names are Knox, Dobbs and Dunlap. Its stores carry various other apparel for men and women. The company has 22,038 shares of $6.50 preferred stock, par $100. There are two classes of $1 par common, with 359,660 shares of "A" and 109,660 shares of "B" stock. They are alike in all respects excepting that the "A" has full voting power and the "B" does not. The "A" is on the New York Stock Exchange and the "B" on the New York Curb. Earnings on the combined common stocks averaged above $1 a share annually from 1935 to 1940, inclusive, but in the past three years showed a moderate decline. Dividends on both classes were 50 cents a share in 1943.

The Cities Service Company

(Continued from page 311)

charge-offs is important. In 1943 Cities Service provided for this purpose $31,540,750 or approximately $8.50 a share. Another important factor is the amount of oil or natural gas reserves in the ground. Unfortunately Cities Service does not release current figures, and complete system figures have not been available in recent years. However, the oil reserves of Empire Gas & Fuel (the largest sub-holding company) amount to about 70 barrels per share on Cities Service common stock and the gas reserves to some 915,000 cubic feet per share. The total value of these reserves (which might reflect roughly about three-quarters of the system, judging from net earnings) would amount to some $46 a share, using an estimated value for oil of 50c a barrel and for natural gas 1c per MCF. In 1943, Cities Service received an average sales price of $1.18 per barrel (revenue figures for natural gas are not available). Therefore, as a longer-term speculation, the stock looks "interesting."

Selecting Best Stocks in the Most Promising Industries

(*Continued from page 293*)

dividends were paid in the 1920's, and a 2 for 1 split-up took place in 1929. There was a sharp change in the disbursements by the early 1930's, however, with the drop in income that started in 1930, and in some years no dividends were paid. Since 1935, however, with the exception of 1938, some payments have been made in each year. The rate was $1 each in 1936 and 1937, and 25 cents in 1939, with 50 cents each year 1940 to 1943 inclusive. For the first half of 1944, a regular 25 cents a share was paid and 25 cents special, with indications of similar payments for the second half, hence the stock may be regarded as being on a $1 dividend rate for the present.

From its earlier business of making speedometers and gauges, the first important new line added by the corporation was its alemite lubricating system, which is used as original equipment on many of the leading automobiles, also on trucks, in industry and in agricultural machinery. This, with alemite lubricants and motor oil, are expected to be greatly expanded after the war, as they have been developed and improved during the war period on motor vehicles used by the armed forces. The company is also in a number of other lines, including radios, die castings, furniture, hardware, hot water heaters, motor vehicles panel instruments, speedometers, gauges and car heaters. During the war period, it has made various types of ordnance, but most of its work has been in its regular lines of activity.

A development which the company has advertised in some of the national magazines is a new principle in heating, as represented by a 21-pound furnace which is said to be capable of heating a house. It uses gasoline as fuel. An official of the company not long ago stated that when this new heating principle is put into use for sales to civilians, it may revolutionize home heating potentials. The furnace is small and compact, about the size of a waste basket and could be put anywhere in a home. Much smaller units could be used for individual rooms, each with its own thermostat controls. If all of the reports about this heating unit prove correct and it can be made in quantity, it may be that Stewart-Warner in this item alone can develop a major source of income. These small units have been used extensively in military planes during the war period.

Stewart-Warner earnings in the 1913-1929 period were from $4 to over $7 a share each year, with only one exception. The 1929 net, which was after the 2 to 1 split-up, was $5.37 a share. Earnings declined sharply the next year, being only 78 cents a share in 1930, and sizeable deficits were reported in 1931 through 1933. Net income of 46 cents a share was shown for 1934. In 1935, net was $1.38, with $1.81 in 1936 and $1.57 in 1937, followed by a deficit of 25 cents a share in 1938. The 1939 net was 45 cents a share. In the past three years, the company has shown better results than at any time since the 1920's, if the net before reserves is figured. Thus in the 1941-3 period, the total net income was $6.22 a share before reserves, which came to $1.58 total. With these contingent charges deducted, the actual net was $1.30 a share in 1941, $1.23 in 1942, and $1.58 in 1943.

The 1943 report showed the largest gross the company ever had, being $115,064,408, an increase of over $37,000,000 above the 1942 total. Operating costs increased $30,000,000 and taxes $6,000,000, in 1943 compared with 1942. The balance sheet as of December 31, 1943, showed cash assets of $7.38 a share and net current assets of $10.99 a share. The book value was $15.45.

Capital changes by Stewart-Warner included the elimination of a former issue of preferred stock many years ago, and the 4-for-1 and 2-for-1 split-ups referred to above. In 1934, the par value was reduced from $10 to $5, with the same number of shares as before. There are 1,272,920 shares outstanding, with nothing ahead of them excepting current indebtedness.

In 1929, after the 2-for-1 split of the stock, the new shares sold as high as 77. The 1932 low was 1⅞, marking the extreme pessimism and deflation of that year, as the net current assets alone were then equal to over $4 a share. The stock had an enormous gain, percentage-wise, to the 24½ high reached in 1936, a figure which has not been closely approached since then. The subsequent low was 4½ in both 1940 and 1941, with a recovery to 14⅝ in 1943. The range thus far in 1944 has been 15½ high, 11¾ low. The stock will have great market possibilities if the many things predicted about its post-war business prove realizable. An expansion in its alemite business is looked for; the radio sales are expected to be very good; auto accessory business should be on a large scale; and there are bright possibilities for its new heating unit.

Changing Trends in Ownership of Bank Deposits

(*Continued from page 301*)

deposits continued to gain heavily while the growth in business deposits either halted or reversed itself entirely with the exception of retail and wholesale trade.

Thus the disposition of business to invest in securities or hold cash has not been the same as that of individuals, and the extent to which this is true, and will be true during the remainder of the multi-war phase, is not without important implications for future economic policy and the conduct of war financing. As far as the latter is concerned, it will probably express itself in still greater reliance on individuals to fill war bond subscription quotas in order to cut down the aggregate of highly volatile individual demand deposits. In the realm of transitional or post-war economy, the great accumulation of cash in the hands of indivduals naturally constitutes a helpful element if a time should come, as it probably will, when the cash will be needed to support the general level of business activity.

Realistic Appraisal of Post-War Corporate Profit Potentials

(*Continued from page 295*)

United States Rubber. However, as said before, in some cases (probably with Bendix and U. S. Rubber) post-war volume may run more than 50% above 1937.

Also under the most favorable hypotheses used (those in column 3 of the table) some of the large potential earnings gains projected over 1943 results are those for Allis-Chalmers, American Tobacco, du Pont, General American Transportation, General Electric, General Motors, International Harvester, Johns-Manville, Liggett & Myers, Montgomery Ward, Simmons, Standard Oil of New Jersey, Texas Company, United Fruit, U. S. Steel, Westinghouse and Woolworth.

Which Industries Are Best Geared to Compete for Export Markets?

(Continued from page 285)

at $90 million, for consumer durable goods at $25 million.

Argentina, most heavily industrialized of Latin American countries, badly needs new production equipment, machine tools and transportation equipment. Since her industry was greatly expanded during the war, Argentina will hardly return to her pre-war import pattern but should certainly remain one of the largest and most profitable markets, notably for luxuries, durable consumer goods, and materials and equipment for productive purposes.

Chile, faced with unfavorable post-war prospects for nitrate and copper, has embarked on an ambitious industrialization program which eventually should radically alter the country's import pattern. Demand may ultimately center on capital goods, raw materials and semi-manufactures, with a gradual lessening for many types of consumer goods. This latter trend, on the whole, will become characteristic of most Latin countries where industrialization is on the march.

There is little doubt that Latin America for some time to come will be our most profitable, though perhaps not our biggest, customer. Export potentials are great in Britain and the Empire but their realization must be preceded by economic agreements of the type mentioned before. European exports, while potentially huge, will largely be determined by available financing, Russian demand by financing and competitive factors.

The foregoing outline, though general, permits a fairly accurate appraisal of export potentials of individual industries. Within these industries, it is a safe assumption that those companies formerly active in the export field will again become important factors, but newcomers may be attracted by the excellent sales prospects. Since exports to a good many regions or countries are likely to be controlled, possibly government guaranteed—such as to Russia, France, perhaps even England and South America as far as certain categories are concerned—financing problems may not prove as restrictive as they normally might be, thus may not detract too much from volume potentials.

It is a fortunate circumstance that export demand in many directions may heavily center on capital goods and thus may become the mainstay of industries which due to the surfeit of the home market would otherwise have little to look forward to. This applies particularly to the machinery industry. While a good deal of machinery exports may consist of second-hand machinery, demand for new and ultra-modern equipment for shipment abroad should by no means be negligible. Such companies as E. W. Bliss, Chicago Pneumatic Tool Co., Ingersoll-Rand, Warner & Swasey, Niles-Bement-Pond, United Shoe Machinery and others should benefit accordingly. Their pre-war exports contributed importantly to total sales.

The steel industry, too, should benefit from reconstruction demand which for a time may become an important offset to the loss of war business. Pre-war steel exports averaged only about 5% of total production though in 1940 they rose to 17%. Reconstruction demand should be bolstered by growing industrialization in many areas such as Australia, Latin America, China and Africa but competition is likely to become keen as soon as European steel industries get back to normal. Virtually all major steel companies were pre-war exporters, with U. S. Steel, Bethlehem Steel, Inland Steel and Republic Steel Co. leading. Also important were United Engineering & Foundry and U. S. Pipe while Mesta Machine has always been a leading exporter of steel mill equipment.

Foreign demand should be heavy for farm machinery. All principal companies before the war had an important stake in export markets and should be able to extend foreign markets considerably. The same applies to leading railroad equipment makers which even now are working on important foreign orders. These should last for quite some time, in view of rehabilitation needs in Europe and Russia and extension programs scheduled in many Latin American countries.

In the electrical equipment field, General Electric and Westinghouse will probably supply the bulk of heavy equipment needs abroad, apart from their extensive consumer durable goods lines which have also been exported in volume. Black & Decker, maker of electric hand tools, before the war exported an average of 20% of total output and should again lead the field in this particular line.

All leading automobile manufacturers should find ready markets especially in South America but also in other countries. So will many automotive parts makers, such as Borg - Warner, Bendix - Aviation, Electric Storage Battery Co., Timken Roller Bearing and Timken Detroit Axle.

Indicative of foreign demand potentials for electric appliances is a recent announcement by the Norge Division of Borg-Warner Corporation, reporting a flood of inquiries from virtually all parts of the world including such areas as North Africa, the Mediterranean area, the Middle East and Australia, some of which were formerly closed to American exporters due to prohibitive tariffs. South American demand was reported particularly heavy. Other makers of household appliances stand to benefit from this insistent

demand, principally General Electric and Westinghouse but also Chicago Flexible Shaft, Philco, Carrier Corp. (air conditioning) and most radio manufacturers, all of which have been active exporters before. Besides, numerous smaller companies exporting through export agents must be reckoned with. Appliance makers such as Master Electric, McGraw Electric, Servel and Maytag may extend their formerly relatively small foreign business.

In the building materials field, American Radiator & Standard Sanitary before the war led with about 25% of production going abroad. The share of Johns Manville was 12%, with smaller percentages in the case of such companies as Crane, Minneapolis-Honeywell and Otis Elevator. These may easily be extended, in view of tremendous reconstruction demand abroad.

Among chemical manufacturers, duPont, Allied Chemical and Monsanto Chemical have always had sizeable foreign markets, and with German competition probably out of the running should be able to make further gains. Carbon black companies were heavy pre-war exporters; Union Carbon shipped abroad some 40% of its carbon black output, Union Carbide about 15%. These exports, now largely suspended, will no doubt be resumed when the war is over.

Drugs and pharmaceuticals is another field with excellent export potentials. Before the war, Parke Davis shipped 35% of its output abroad, Vick Chemical and Zonite about 15% each, Sterling Drug 13%, Lambert Co. 10%. Obscuration of German competition, notably in Latin America, should point to notable gains after the war. Squibb & Sons, always fairly large exporters, recently organized the Squibb & Son Inter-American Co., with the express purpose of cultivating the Latin American market.

In the food field, exports are important to such companies as Corn Products, Standard Brands, Kellogg Co., Quaker Oats, General Mills and above all, United Fruit. Of the latter, normally about one-third of sales go to Europe. Kellogg Co. ships 33% of output abroad and Quaker Oats 25%.

In the household furnishings field, Simmons Co. before the war derived about 17% of earnings from exports. Foreign trade is also important to Armstrong Cork. Both should be able to extend their former positions in the world market.

The office equipment industry is a typical American export industry with all leading companies normally shipping anywhere from 20% to 50% of production abroad. National Cash Register leads with 50%, followed by Underwood-Elliot-Fisher with 35%, Burroughs Adding Machines with 29%, Addressograph 25%, Smith Corona 20% and International Business Machines with 20%. Their future export potential is no doubt considerable, though rebuilt equipment may in some countries compete with new machinery.

Leading motion picture companies anticipate a sharp increase of film exports or income from foreign film rentals. Such revenues before the war ran between 20% and 30% for most leading producers and should further increase, thereby at least offsetting possibly declining revenues at home.

Tire companies expect mounting exports of tires, tubes and mechanical rubber goods since European competitors may be slow in getting back into production. However, our own enormous deferred demand for tires and tubes may at first leave little for shipments abroad though with an eye to the future, the latter may get preferential treatment.

Exports of oil well drilling equipment should keep leading manufacturers busy for a considerable period. These include Byron Jackson, National Supply Co., and Dresser Manufacturing. The former two before the war exported 22% and 15% of output, respectively. Textile machinery will be in strong demand in Latin America and certain European countries but British competition may be keen. Draper Co. and a number of smaller concerns (mostly unlisted) are known as important factors in this field.

For at least a few years after the war, export demand for American coal should rise considerably above normal levels, due to deterioration of European mines and receding efficiency of the British coal industry, possibly requiring complete reequipment with modern machinery. Our coal industry may therefore be called upon to furnish increasing tonnages to South America (previously imported from Britain) and sizable quantities to some European countries until British collieries are able to meet the demand.

In the food field, leading meat packers largely operating from Argentina, such as Armour and Swift, should continue their capacity shipments to restock European larders. West Indian sugar plantations, notably Cuban companies, will be relied upon to supply the tremendous sugar deficit arising from unsettlement of the European sugar industry and temporary Japanese occupation of the Philippines and Dutch East Indies. Our cotton exports should mount appreciably to restock the European textile industry, and textile exports including clothing may be substantial for some time. The tobacco industry, too, should recapture their former markets abroad, as should the petroleum industry. In the case of the latter, however, immediate post-war war demand abroad will hardly make up for the prospective decline in home demand.

In appraising export potentials it is important to remember that American goods during the war have been, and still are, going to the four corners of the world; their quality and variety have greatly stimulated desire abroad to buy from us. To capitalize on this goodwill, we must not only solve speedily and efficiently our reconversion problem so as to be able to export promptly when the war ends but we must also create a lasting basis for sound international trade. After all, we cannot rely indefinitely on Government

credit to facilitate exports, nor can we repeat the mistakes of the last post-war period. For long-range expansion and stability of foreign trade, we must think of a continued supply of foreign funds to our customers abroad through efficient integration of world trade and a sensible policy of give and take.

Stabilizing Our Post-war Dollar in Relation to Foreign Currencies

(*Continued from page* 282)

as after the First World War, when the stabilization efforts stretched over a period of almost ten years. Each time a major country stabilized, as France did, for example, in 1926, the international payments and consequently also the currency stability of the countries already on the gold standard were affected in one way or another.

Everything taken into consideration, the "joint" currency stabilization proposal would probably be quite effective in preventing *the use of currency manipulation* to obtain trade advantages, whereas the "key currency" plan, as the Bank of Nova Scotia Letter recently pointed out, would in fact divide the world into competing trade and currency blocks. This is a potent argument in favor of the plan as is also the fact that a start in monetary collaboration has to begin sooner or later somewhere. The trouble may be that this plan aims to accomplish too much without extending the international collaboration to other basic problems upon which the success of the stabilization itself depends.

The interest of the businessman in the currency stabilization lies primarily in the fixing of the exchange rates, because they in the long run will determine the prices of the products that he will export or import. To him, the financial technician's job is to discover the best level at which currencies could be adjusted in terms of each other, so that the period during which "an exchange is finding its own level" could be shortened as much as possible.

Since the relation of costs and prices in various countries will be one of the most important considerations in fixing exchange rates, a clue to the post-war exchange rates may be found in the wholesale price, cost of living, and wage levels on various countries. How these wholesale price levels compare will be seen from the

accompanying table, prepared from League of Nations statistics. In this country, in Great Britain, individual British Dominions, and in Germany, the wholesale price level rose in general less during the Second World War than it did during the First World War. The reason for this, of course, has been the greater effectiveness and wider application of control measures during the present war.

On the other hand, in India, the Middle East, Latin America, and the Balkans, the price rises have been much greater than they were in 1914-19. One explanation lies in the failure to keep down the inflationary forces—which to begin with have been much more powerful than in the last war as a consequence of the greater expenditures of the belligerents—with the available control measures. The other explanation is that the disruption of trade during the present war has been much greater than in World War I and that consequently the shortages of goods on one hand and the accumulations on the other hand have been more pronounced.

Because of the control measures, considerable divergence also exists in prices within individual countries. Rents in most countries have kept close to the pre-war levels, while almost everywhere great advances have taken place in the prices of foodstuffs and in particular of clothing. The restoration of a proper balance will, of course, also play a part in the currency stabilization, since the internal stability of an economy will greatly depend on it.

What is, however, not usually appreciated is that for the exchange rates to be stable, it is not necessary for the price and cost structures to be rigidly stabilized. As long as the prices and costs move in the same direction and by approximately the same degree over a given period of time, the exchange rate will remain stable. Such a situation existed prior to the First World War. The prices in all the gold standard countries used to move in broad sweeps in unison, without exercising pressure on the exchanges.

One cannot stress two points enough: (1) the difficulties and complications involved in currency stabilization, and (2) the long road that will yet have to be traveled from the Bretton Woods Conference to the actual fixing of exchange rates. Perhaps the best way to conclude is with the view of Professor Cassel, noted Swedish economist, that post-war stabilization will depend on how rational the world peace is, and how rational will be the economic policies which will bring world production and trade into full swing.

How Much Longer Will Consumer Goods Dwindle?

(Continued from page 287)

Basic to this modest program of gradually resuming civilian production of scarce and essential goods, chiefly consumer durables, is the apparent official assumption that further broadening of civilian production will be possible after the third quarter in line with greater cutbacks of military orders thought feasible by that time. Such cutbacks naturally depend wholly on the invasion progress, and so will in turn the extent to which materials and manpower can be freed for civilian production.

Present trends, if they continue, thus bid fair to create new cross currents in the overall supply situation. Their principal characteristics will be a gradual if modest easing in restrictions affecting consumer durable goods manufacture and progressive tightening of the soft goods, and possibly also the food supply. In other words, a reversal of conditions as they prevailed up till recently. In consumer durables, we have had a complete production stoppage for the last two years. In soft goods, supply until recently was maintained at fairly satisfactory levels, partly due to heavy inventories now nearing exhaustion. The apparent reversal now in the making is evidence that the supply situation is not yet "licked" though the picture henceforth will reflect spottiness rather than the steadily tightening tendency that prevailed so far except in foods.

This prospect raises another question, that of pricing during the initial transitional period. So far, the OPA apparently has not yet decided on a definite policy but opinion in that quarter seems to harden in favor of retention of tight pricing policies as preferable to immediate relaxation with a view to stimulate output and quick reconversion. Many businessmen differ; they fear that reconversion will lag unless OPA first sets prices high enough to permit attractive profit margins. Official opinions, on the other hand, stress the desirability if not necessity for retention, for a time, of tight pricing methods in the interest of economic stability which in itself, it is held, would greatly aid reconversion. This reasoning is based on the belief that tight prices for a period will ultimately work to the advantage of business because it will help maintain sales volume and induce more efficient operations, thus getting industry in shape for normal competition which is bound to return once the replacement boom is over. The pricing question will doubtless become a co-determinant of immediate transitional output, and thereby of available civilian supply. But what its actual effect will be can hardly be told until definite decisions are made.

Time will tell how much and how long we can depend on price and distributive controls against attempts to end or at least limit scarcities in consumer goods. It is primarily a question of human, and also of political reactions. So far, the home front has willingly tightened its belt in the interest of the war effort. Will it continue this attitude after victory, once the pressure or necessity for sacrifice has abated? The question is neither academic nor merely one of economic relationships. It is, in fact, highly political because on the answer may in part depend our future political standing in Europe. The liberated countries rely importantly on our aid, that is help which no other nation is in a position to furnish. If we cut relief shipments in favor of quick relaxation of home controls, resultant disappointment and repercussions abroad may not work to our best interest.

The Investment Clinic

(Continued from page 297)

peak, probably under $2 for this year against $3.13 last year. Appreciation potentials appear much below average.

The other stocks on the list are of widely varying merits. Some of them would not be our first choice in their industries, but we believe that not too belated recovery potentials are clearly enough defined to warrant further retention. In quite a few instances the failure thus far to better last year's highs seems nothing to be unduly disturbed about—for, after all, only a minority of stocks have done so by any important margin.

The discrepancy between our attitude on American Smelting and the coppers listed—as well as between that on United Aircraft and the two other aircraft stocks—is more apparent than real. Smelting is primarily a refiner of metals rather than a producer and we believe

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it has a better recovery potential than the copper miners.

United Aircraft shows considerable evidence of stabilized market position, low on the "invasion dip" having been well above last year's low. The company in several respects is the best in the field from an investment point of view—especially in the diversification of its products and in great financial strength built up by years of conservative management.

Since we are concerned in this discussion chiefly with appreciation potentials — and are directing our remarks to "hung up" holders rather than new buyers—we will venture the opinion that the largest percentage potentials for longer-term recovery probably are in the steels listed; and perhaps in American Radiator (building boom after the war) and in United Air Lines, although the latter is a "romance" stock to a considerable extent. In the most speculative phase of a strong bull market, big percentage advances from present levels are also conceivable in Radio, Southern Railway, Barnsdall Oil, General Baking. Appreciation potentials in Bullard, Cluett, Peabody, Mathieson Alkali and Standard Brands—while probably there in time—seen on the subdued side.

Opportunities for Income and Appreciation In Bonds and Preferred Stocks

(*Continued from page 305*)

This bond is speculative and rated B. Earnings are running lower this year than in 1943 but 1944 income will still be substantial. Atlantic Coast Line shares with Union Pacific the distinction of being one of the two large railroads whose non-operating income exceeds their fixed charges. True, this is partly the result of the war traffic but even before the war non-operating income represented a large part of fixed charges. In 1942, company's fixed charges were about $6,600,000. In 1943, the level was less than $6,000,000 and this year it may be down to $5,500,000. There are no important maturities until 1952. Non-operating income is apt to continue high since the 51% stock controlled Louisville & Nashville is likely to continue its $7.00 yearly dividend rate, in effect in recent years, for a further extended period. Louisville & Nashville stock has had a price range this year of: High 90½; low 69¾; last 88¼. As the 4½s have advanced 20 points ($200 per $1000 bond) this year and the 1938-43 low was 41, the conservative investor should now watch this issue closely or substitute a bond of better quality.

As I See It!

(*Continued from page 277*)

like de Gaulle, it makes little sense to suggest that personal bias on the part of President Roosevelt is the stumbling block in the path of improved relations. The President is known for his realism—it takes more than mere personal dislike to sway his course in international affairs.

Regarding the alleged desire of the President to make de Gaulle's recognition an object of bargaining with a particular eye on Dakar, we do not know whether this is true, but if so why shouldn't we bargain —why shouldn't we expect de Gaulle to consider our position? Bargaining is the policy of give and take and has always dominated politics both at home and in the international field. Bargaining is compromise in the light of existing realities that will create the foundation of inter-allied cooperation after the war. Should we shun it in this instance? Aren't we making grievous sacrifices to free France from the shackles of German domination? If we hadn't taken North Africa, Morocco, Dakar, would de Gaulle today be the ruler of vast colonial territory that he makes the basis for his claims to established government? If we hadn't invaded the Continent, what prospect would de Gaulle have of ever setting foot on his native soil?

Recognition today will enable de Gaulle to accomplish the two things he wants most—to establish himself as the chief power in France, and also to secure control of the two billion dollars worth of French gold belonging to the Bank of France and now in Allied custody.

In the meantime, de Gaulle is stirring up the small nations with large colonial possessions who by recognizing the French provisional government have openly separated themselves from President Roosevelt. Conceivably, their stand may complicate, at some future time, the issue regarding bases in outlying territories which we consider necessary to our security, and therefore de Gaulle's activity in this direction is a distinct disservice to our own cause.

It is clear that the de Gaulle controversy, essentially, must be solved in a spirit of realism. Obviously we cannot continue to play Santa Clau to the world; we must look to ou own interests as well. And we ca be sure that the Administration i doing just that. True, the sooner th de Gaulle problem is solved, an solved without danger to the Allie cause and Allied standing in France the better for all concerned. Bu why not have confidence in our own leaders and the course they follow Let de Gaulle prove that his inten tions are beyond suspicion, let him refrain from attempting to poiso French opinion against us, let him demonstrate his loyalty to the Allie cause rather than to the cause of d Gaulle, and he will not find us dif ficult to deal with.

BOOK REVIEWS

THEY SHALL NOT SLEEP
LELAND STOWE
Alfred A. Knopf. 399 pp. $3.00

Serious in thought and based on acute persona observation, Leland Stowe, well-known journalis tells us what he has seen and learned in Burma India, China and Russia, written at last withou fear of foreign censorship. His reportage cover the fall and dissolution of much of England's Empire in the Far East, the inner rot of India the phantastic contradictions he found in China the political as well as military realities in Soviet Russia. It is sound, penetrating reporting.

THE POWER INDUSTRY AND THE PUBLIC INTEREST
The Twentieth Century Fund. 261 pp. $2.00

A popular summary of a thorough survey of one of America's basic industries as it affects the citizen and his Government. Whether you are a consumer of electricity, a student or interested citizen or an investor or dealer in utility securities, this simply written, readable volume will help you understand, appraise and deal with one of our largest and most importan basic industries.

THE FUTURE POPULATION OF EUROPE AND THE SOVIET UNION
FRANK W. NOTESTEIN and others
League of Nations, Geneva. 315 pp. $2.75

A projection of population growth and demo graphic trends intended to be of practical valu to Governments in the determination of thei policies and in their plans for rebuilding th world after the war. Well documented an liberally supported by statistical exhibits, thi work constitutes a valuable contribution to mod ern bibliography on population projections.

YOUR BUSINESS AND POST-WAR ADJUSTMENTS
University of Chicago Press. 123 pp. $1.00.

Dealing exhaustively with business problems and Government policy in post-war readjustment this concise volume should prove a valuble aid to executives in working out specific problems bearing on transition of business to peace time activities. Its purpose is to urge businessmen to think now about post-war adjustment and to give them direct and practical help in so doing.

BUSINESS FINANCES DURING THE CRITICAL TRANSITION FROM WAR TO PEACE
CHARLES CORTEZ ABBOT
Graduate School of Business Administration Harvard University. 41 pp. 50c

This study makes a careful analysis of financial problems confronting business, their causes, the forms they will take and possible solutions. While not attempting to minimize their seriousness, the author concludes, optimistically, that business itself may solve most of the difficulties in the transition period.

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